



Market Structures

Monopolistic Competition

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Slide 3 - 4 presents the quantity of output for a firm under monopolistic competition.

Slide 5 explains the firm's pricing decision.

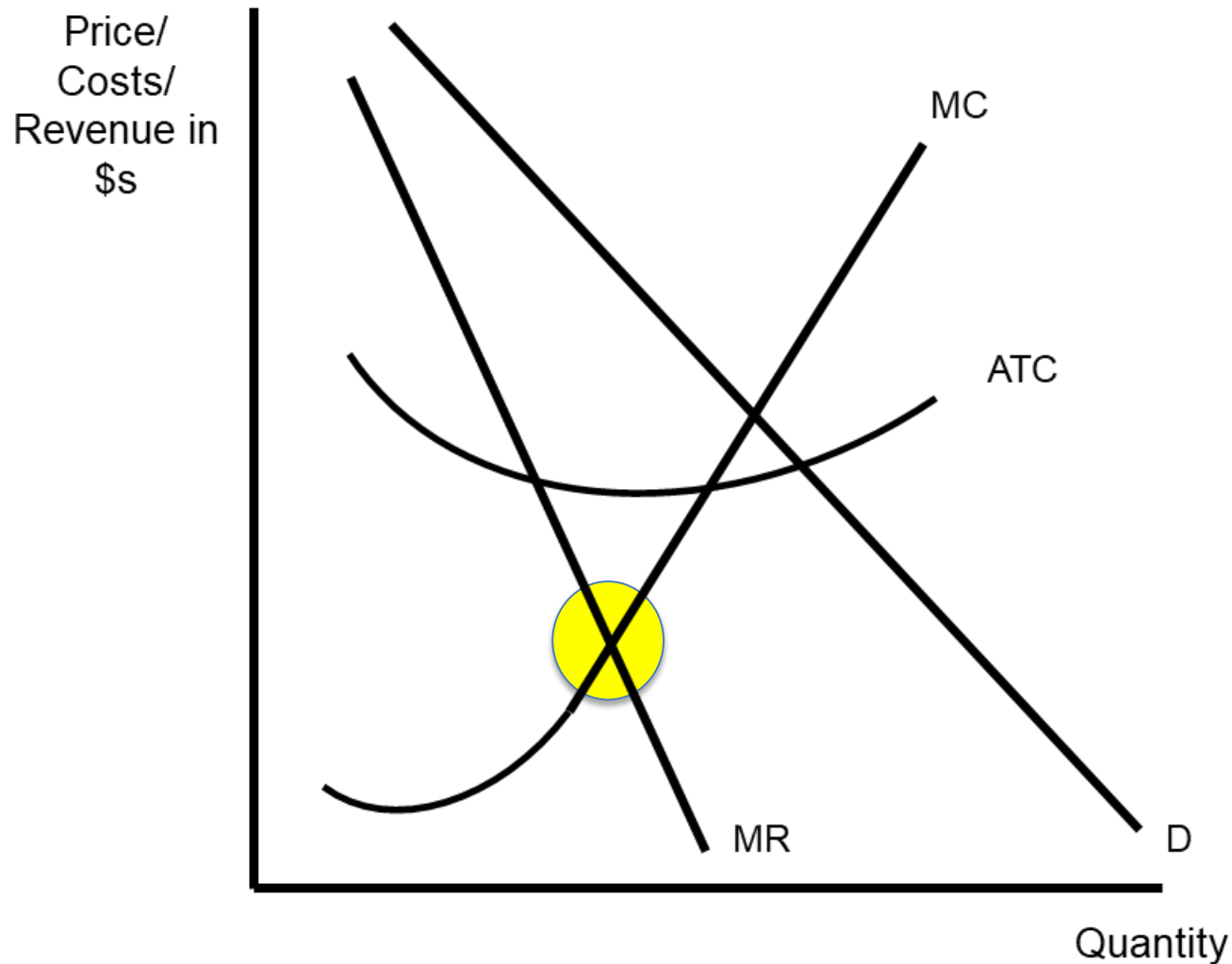
Slide 6 illustrates total revenue.

Slide 7 illustrates the firm's total costs as the firm's ATC x quantity of product.

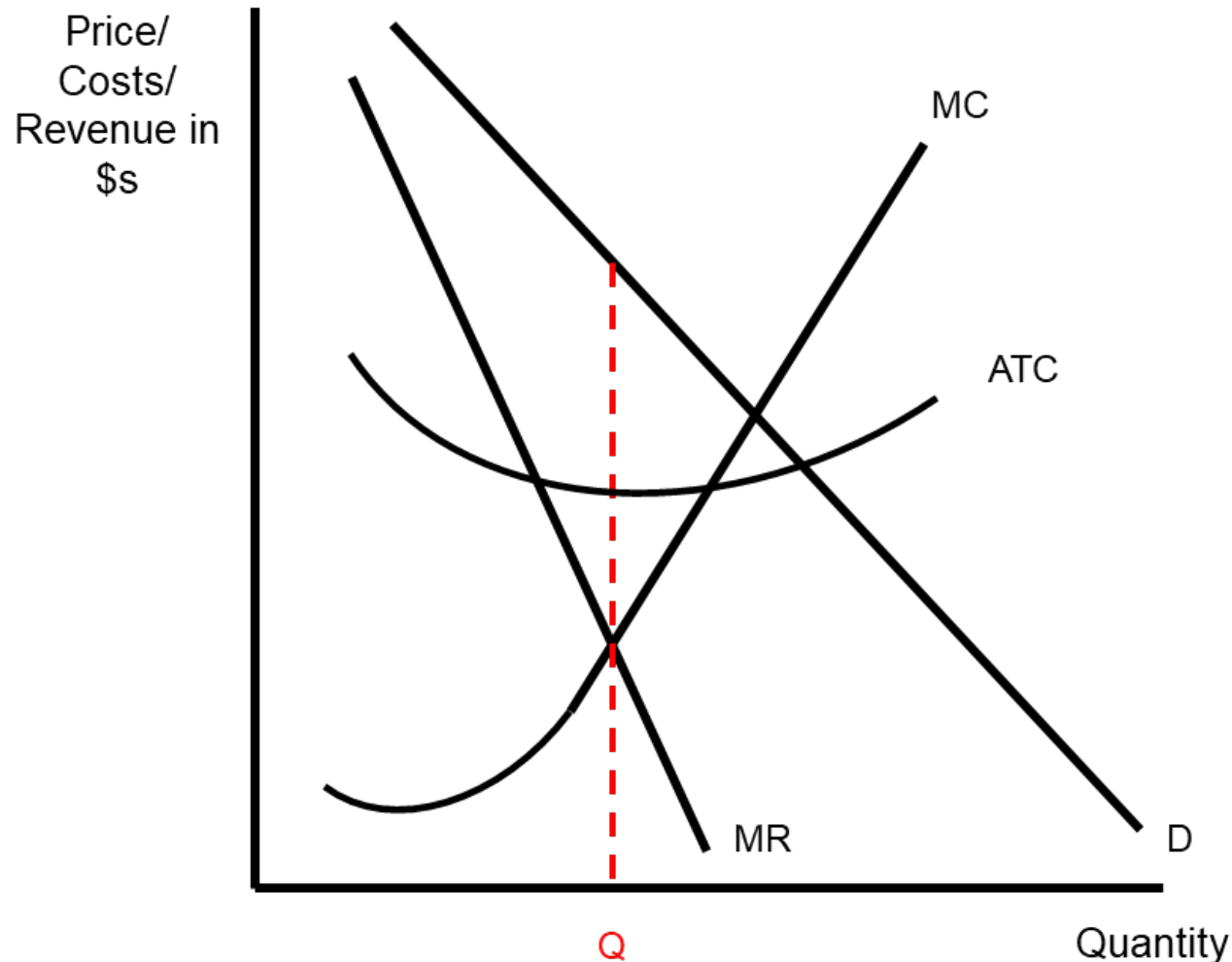
Slide 8 illustrates the area of total revenue above the firm's total costs. This area represents the firm's profit.

Slides 9 -18 review concepts

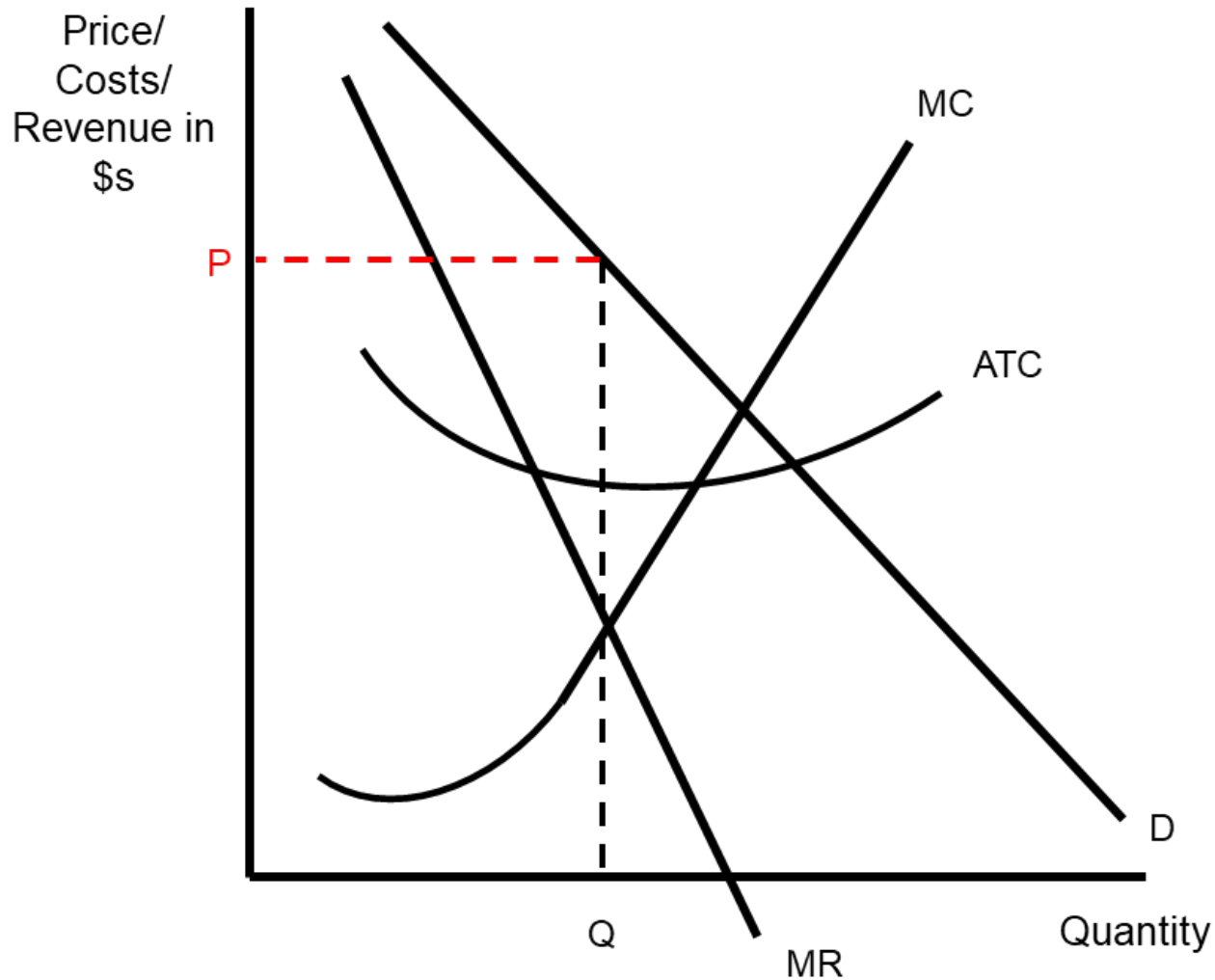
Step 1: Locate intersection of Marginal Revenue (MR) & Marginal Cost (MC)



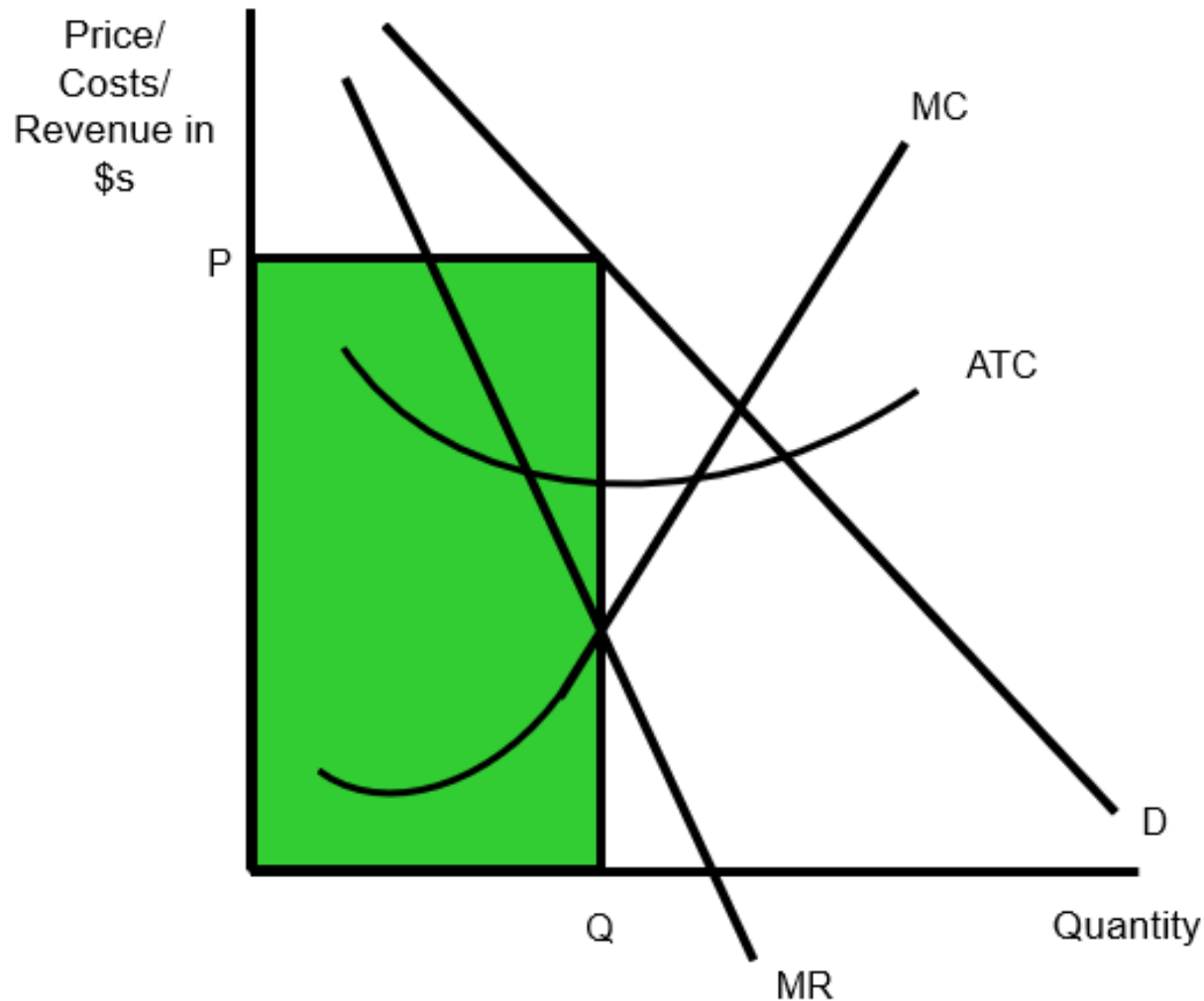
Step 2: Draw a line through this intersection from Demand Curve (D) to X-Axis to find maximized quantity of output



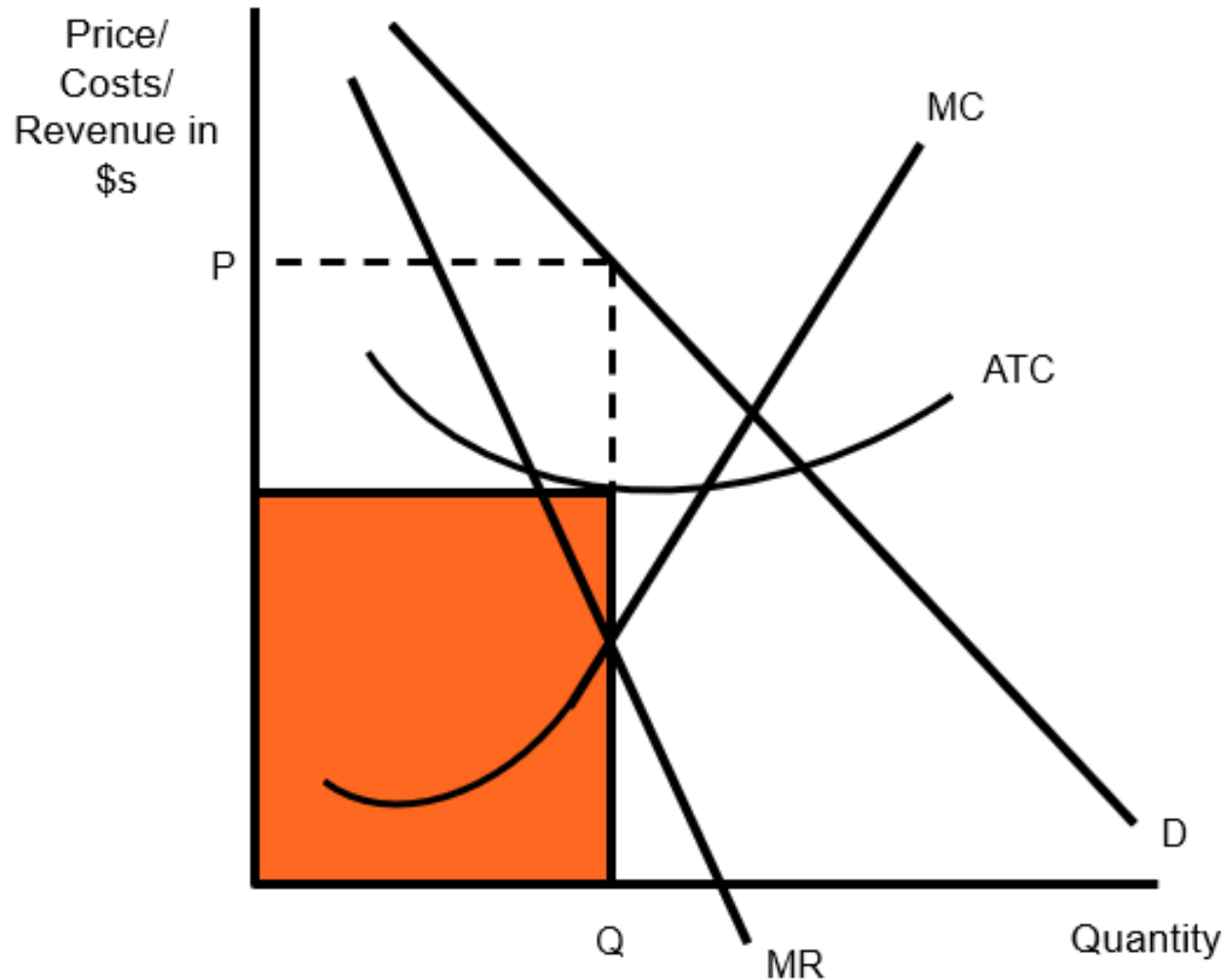
Step 3: Draw a line from Demand Curve (D) to Y-Axis to find price the firm will charge



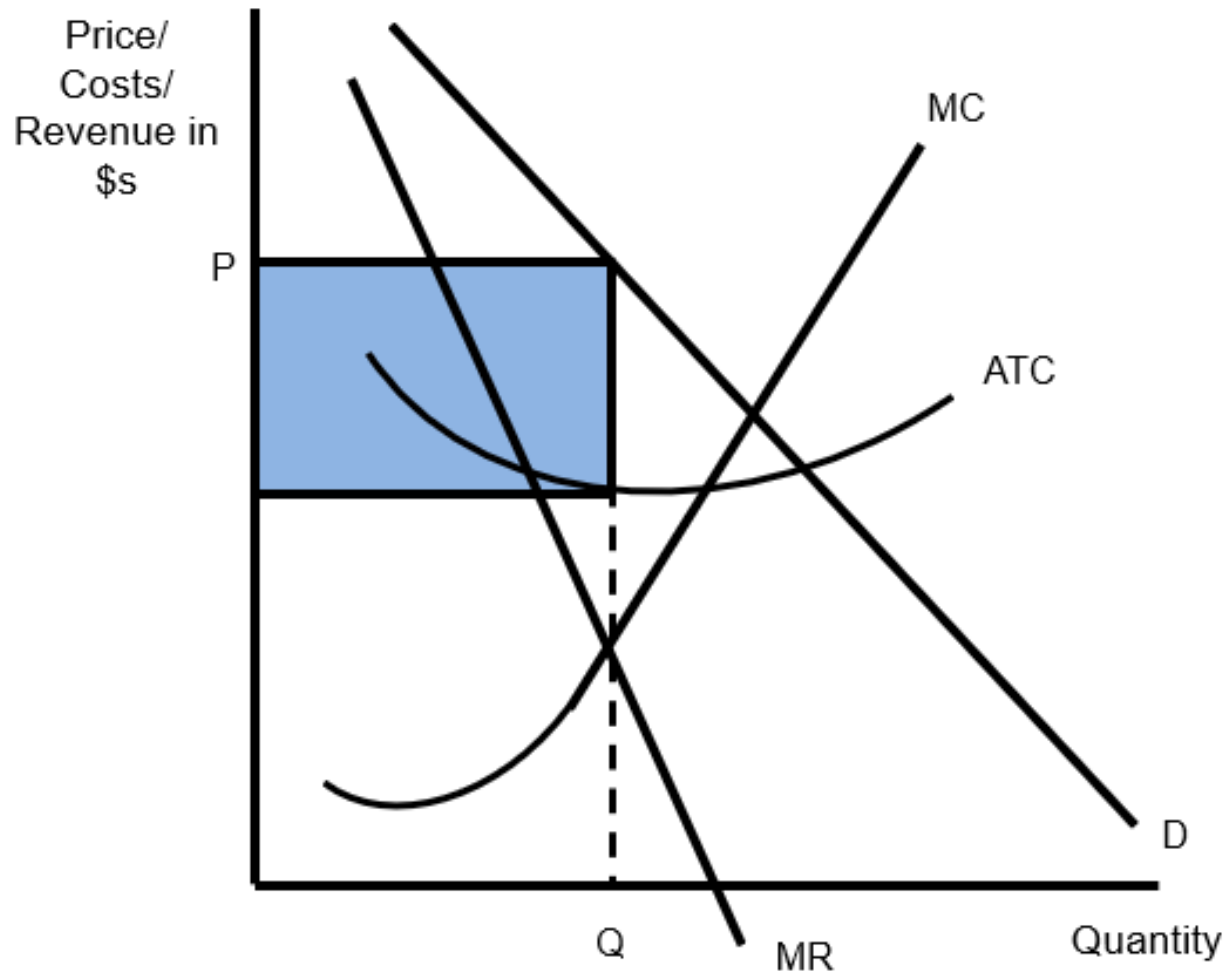
Step 4: Total Revenue (TR) is quantity of product multiplied by price charged



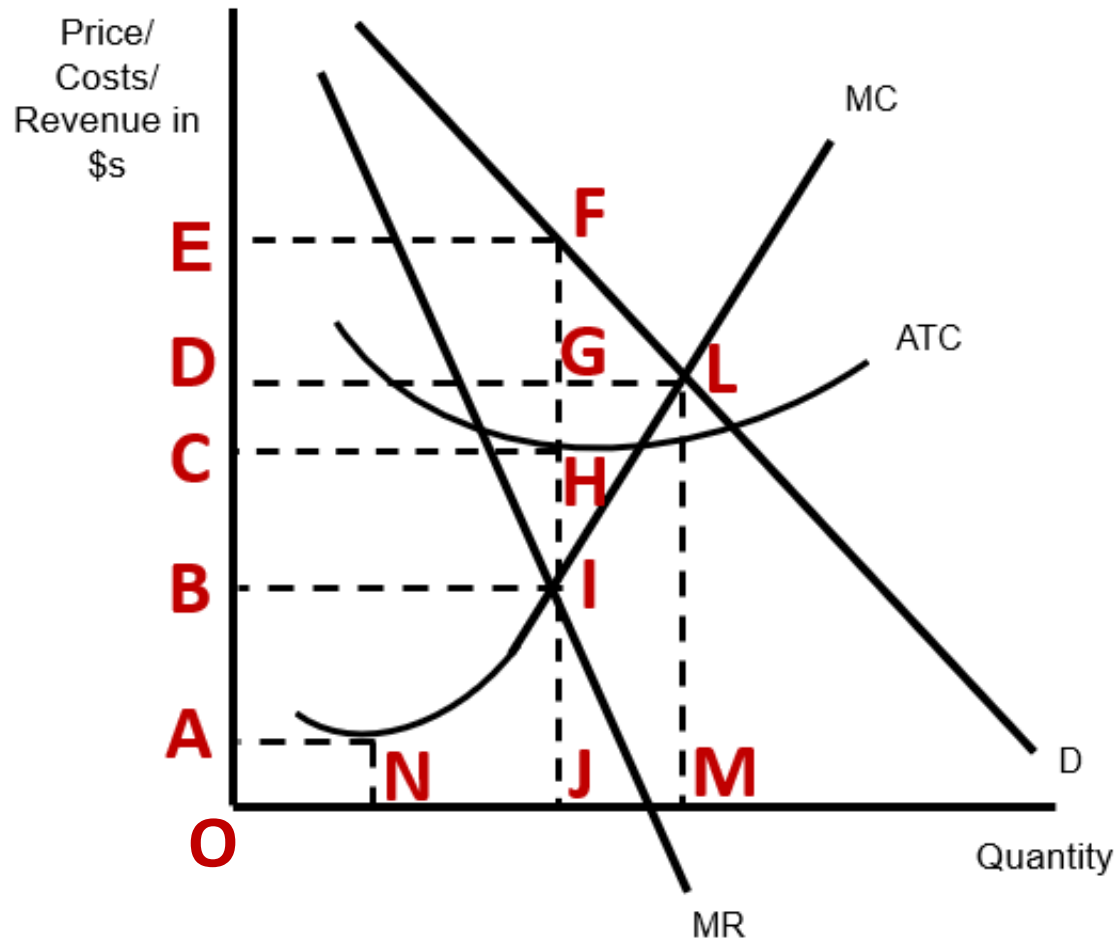
Step 5: Total Cost (TC) is area BELOW Average Total Cost (ATC) curve at quantity produced



Step 6: Profit is area ABOVE Average Total Cost (ATC) curve at quantity produced

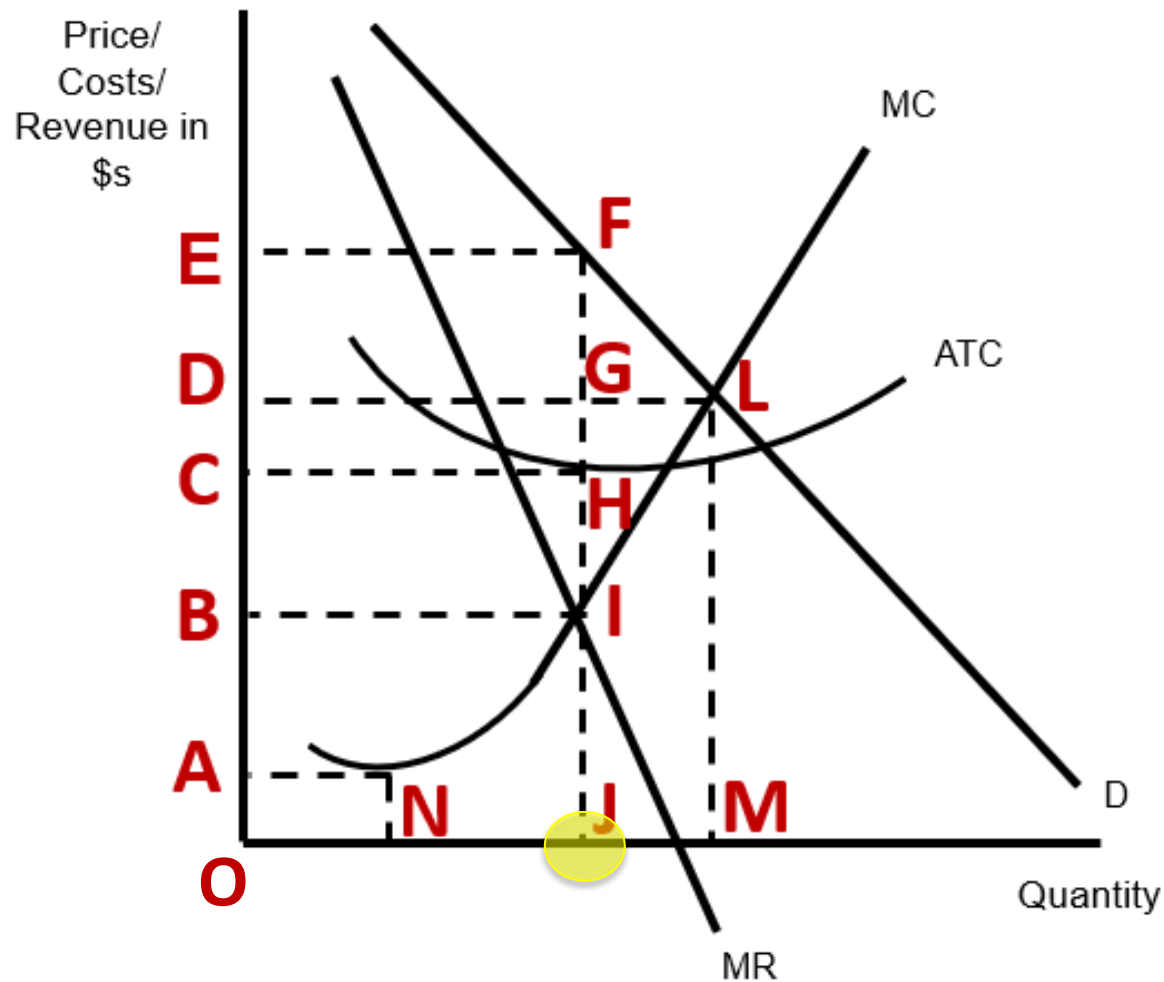


Review 1: What is the profit maximizing quantity produced?

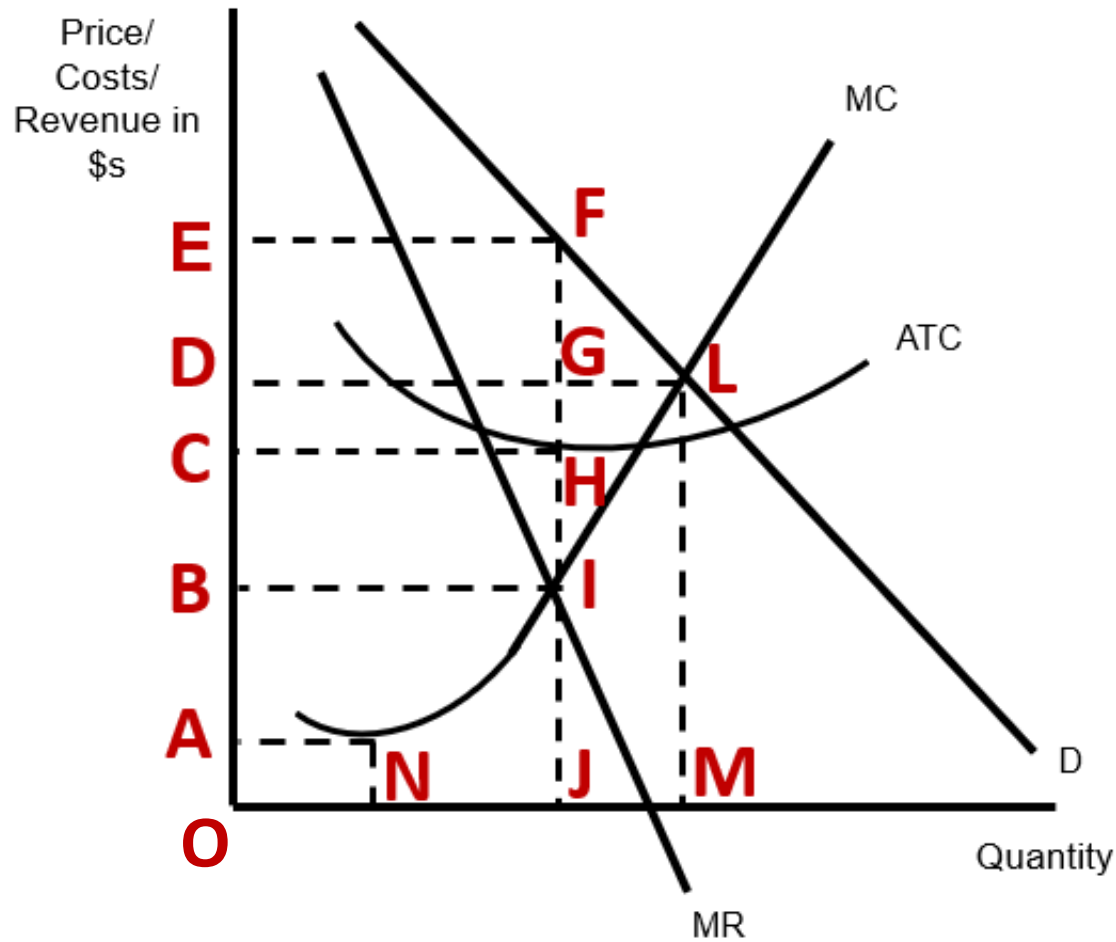


Review 1: What is the profit maximizing quantity produced?

Answer: **J**

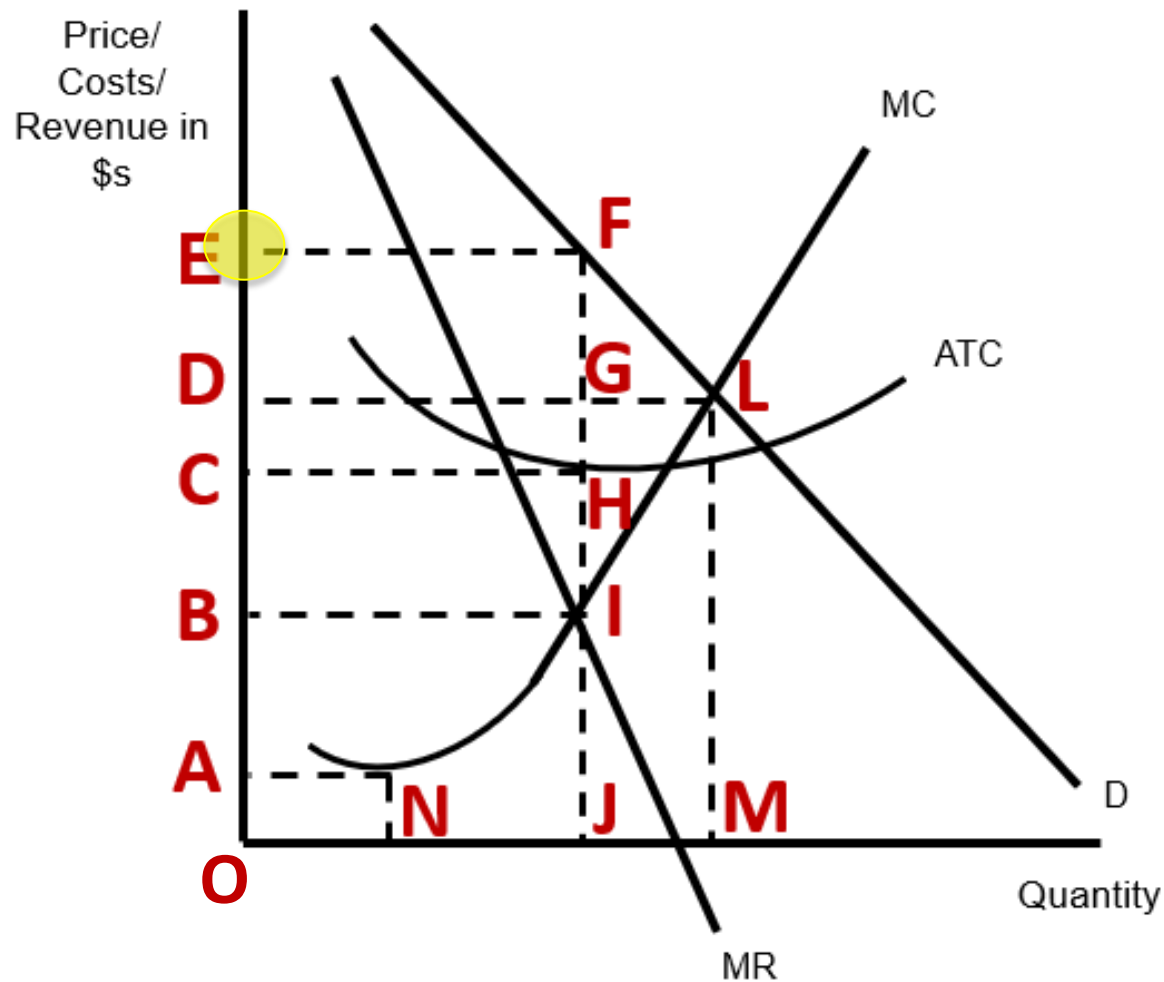


Review 2: What is the price the firm will charge?

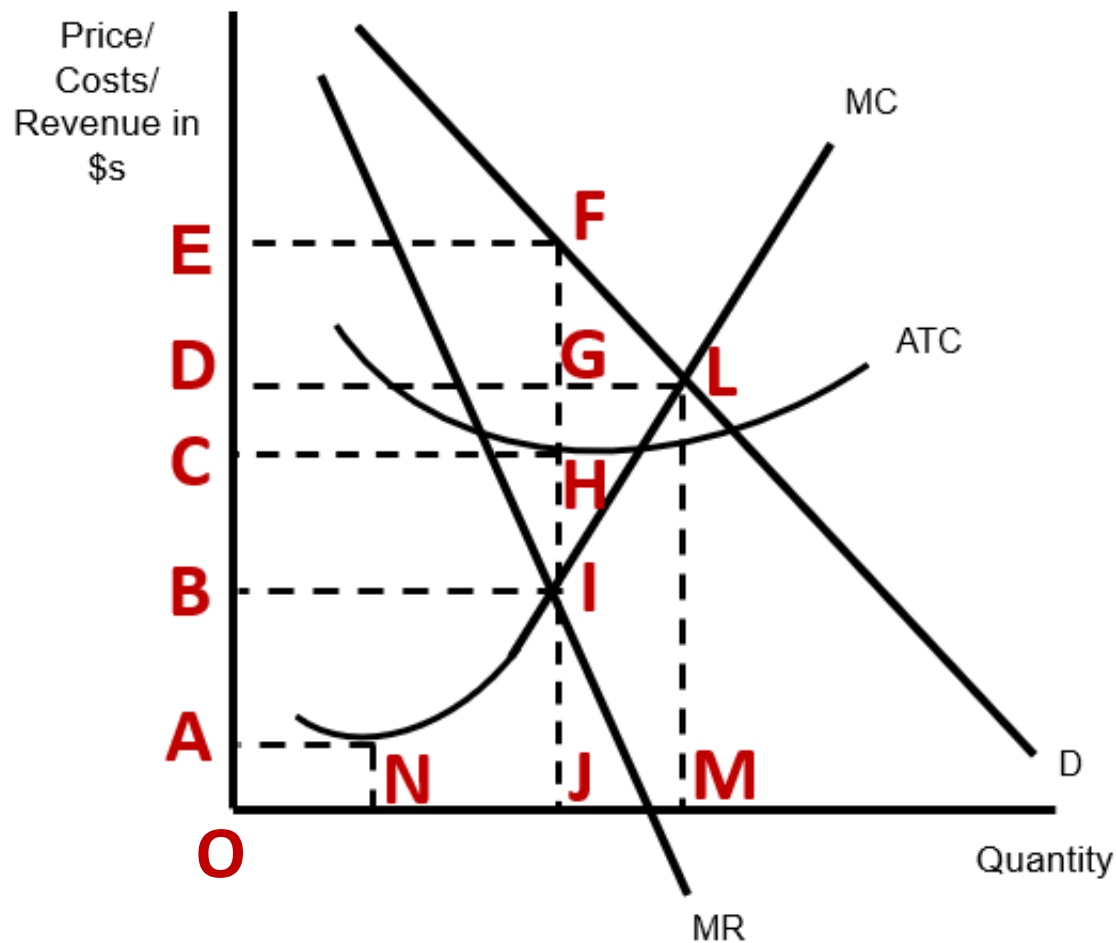


Review 2: What is price the firm will charge?

Answer: **E**

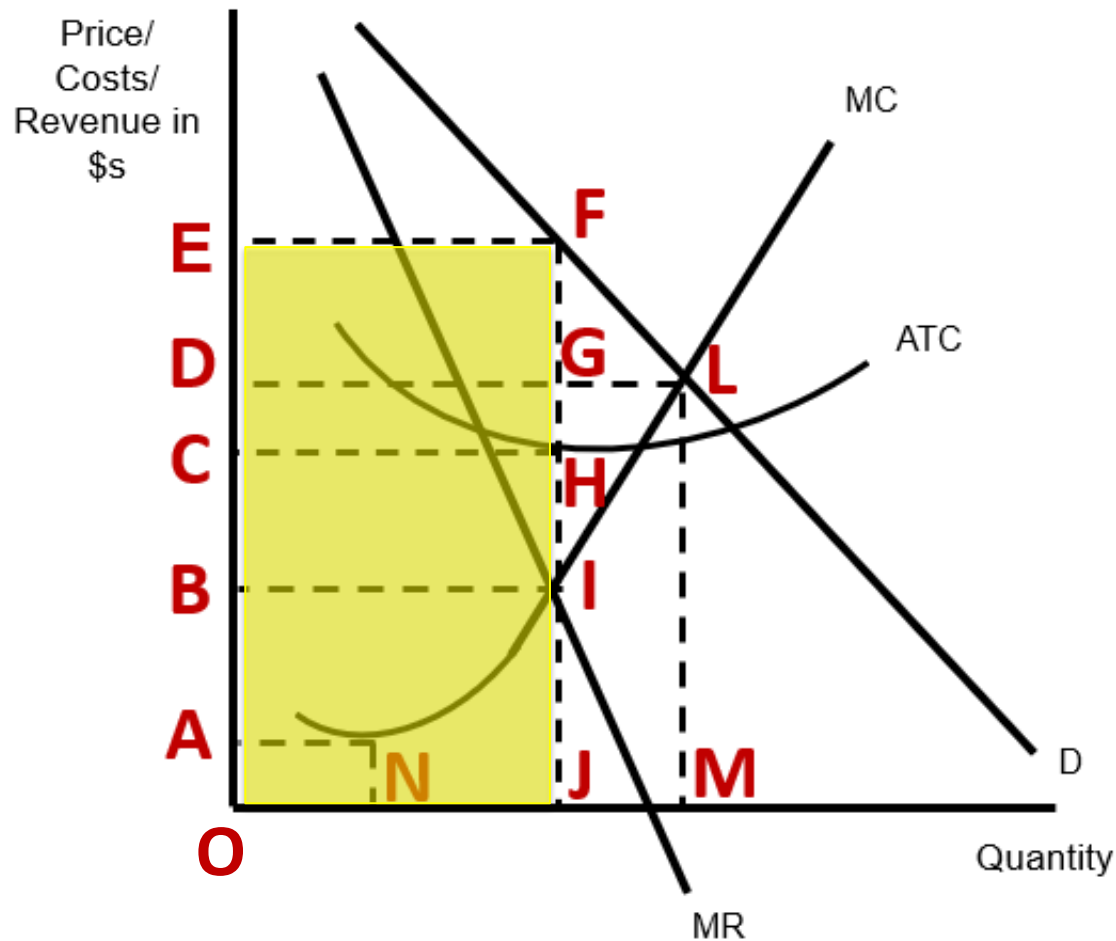


Review 3: What is the area of the Total Revenue for the firm?

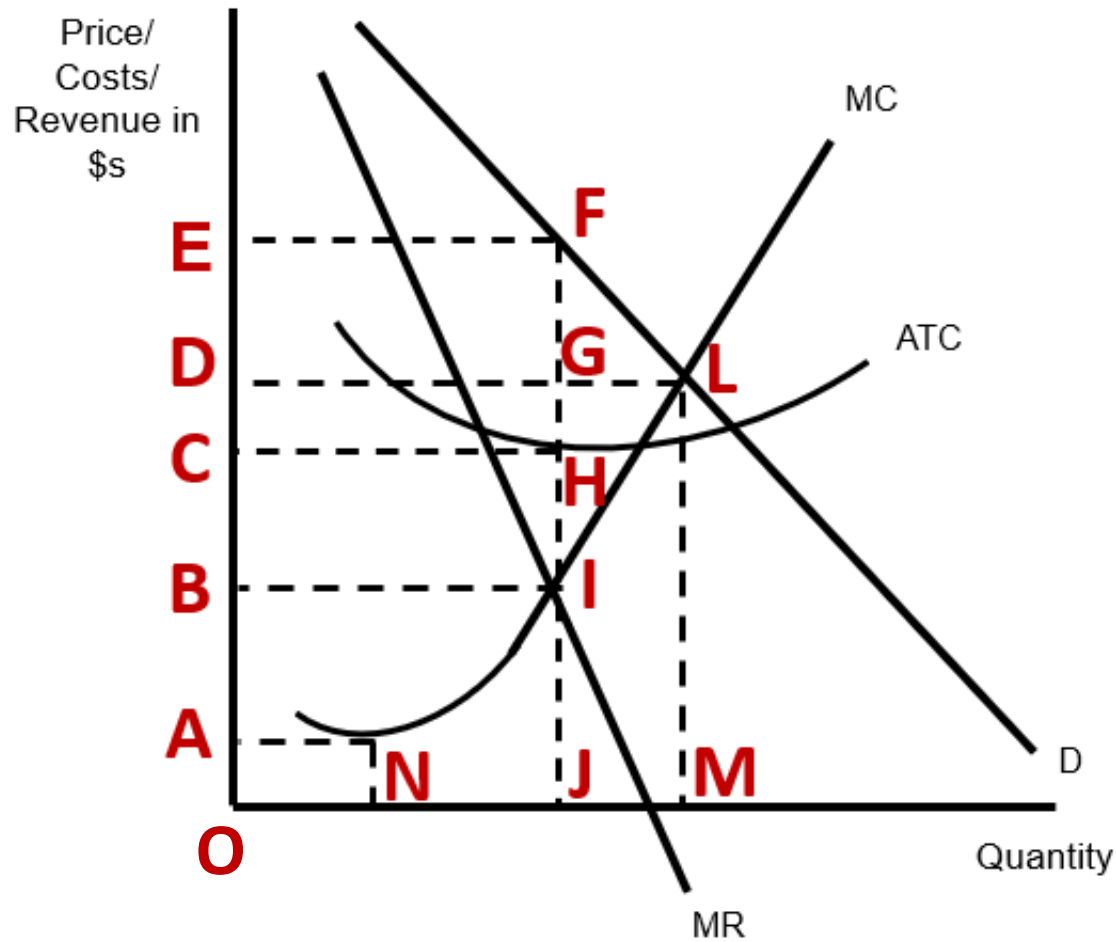


Review 3: What is the area of the Total Revenue for the firm?

Answer: **OEFJ**

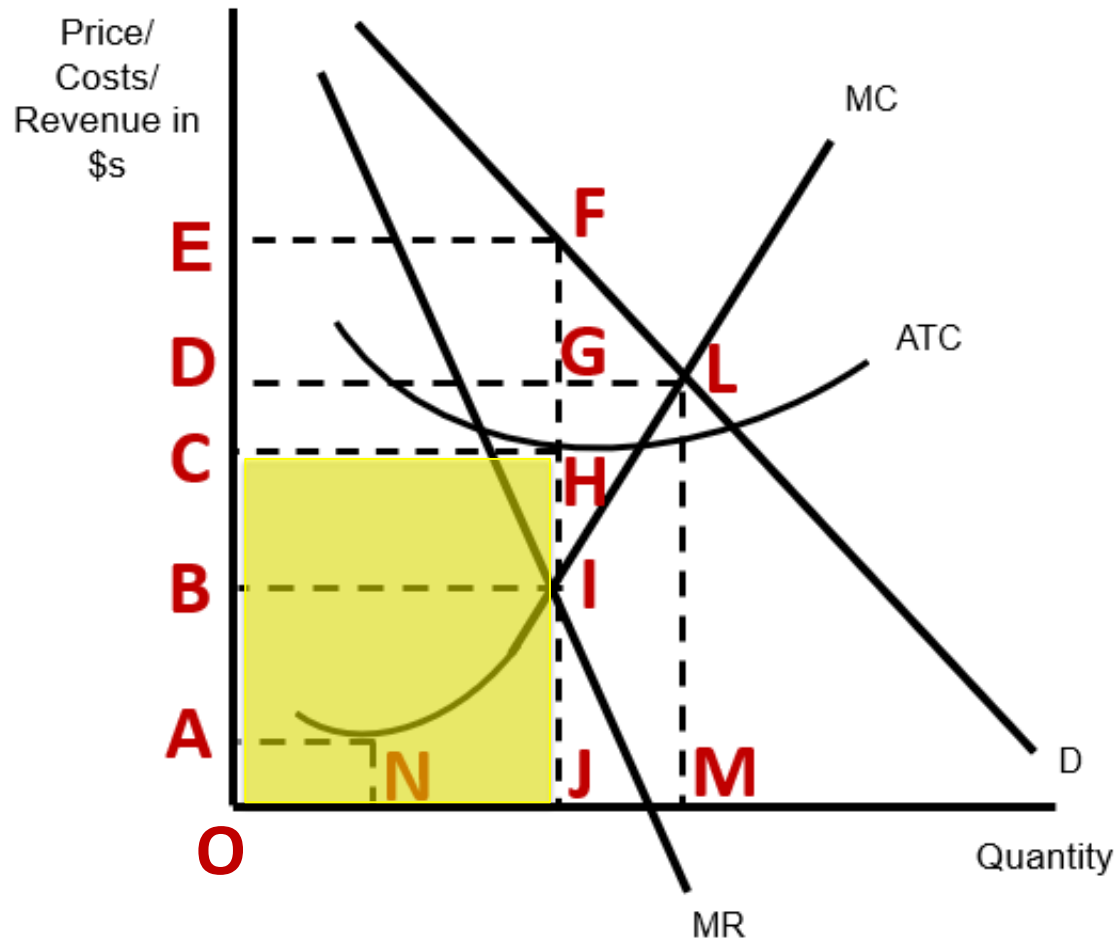


Review 4: What is the area of the Total Cost for the firm?

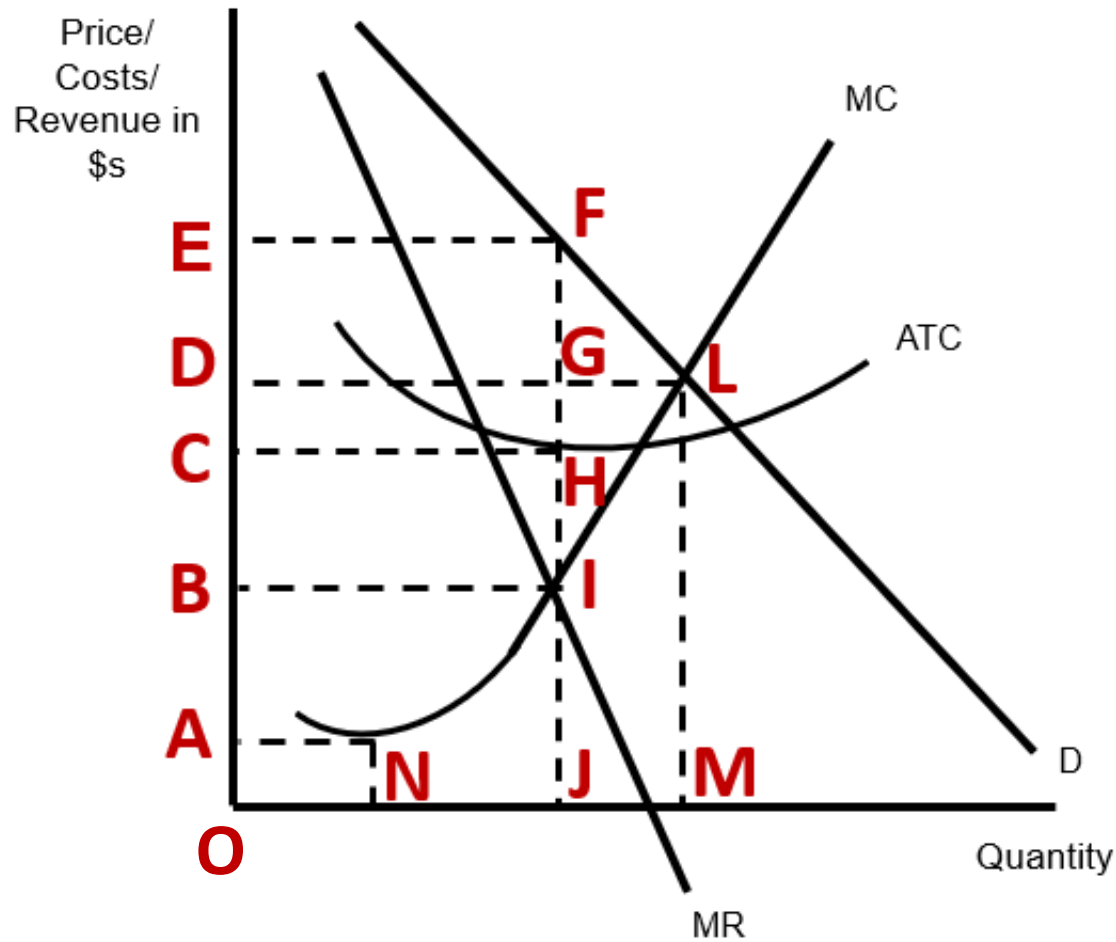


Review 4: What is the area of the Total Cost for the firm?

Answer: **OCHJ**



Review 5: What is the area of profit/loss for the firm?



Review 5: What is the area of profit/loss for the firm?

Answer: Profit is area **CEFH**

