FORMULAS

Chapter 7

TP = total product, MPL = marginal product of labor, APL = average product of labor, l = number of workers

MPL = (change in TP) / (change in l)

APL = TP / l

Accounting cost = out-of-pocket or explicit costs

Economic cost = out-of-pocket costs + opportunity cost of inputs used.

Chapters 8, 9 and 13

q = quantity produced, TC = total cost, ATC = average total cost, TFC = total fixed cost

AFC = average variable cost, TVC = total variable cost, AVC = average variable cost, MC = marginal cost

TR = Total Revenue, MR = marginal revenue, P = price

TC = TVC + TFC or TVC = TC - TFC

ATC = TC / q or TC = ATC x q

AVC = TVC / q or TVC = AVC x q

AFC = TFC / q or TFC = AFC x q

ATC = AFC + AVC

MC = (change in TC)/ (change in q)

MC = (change in TVC)/ (change in q)

TR = P x q

MR = (change in TR) / (change in q)

Profit = TR – TC

Profit = (P - ATC) x q

Operating profit (or loss) = TR – TVC

Profit is maximized when MR = MC for all firms

10) MC = (change in TC) / (change in units produced)

11) MC = (change in TVC) / (change in units produced)

12) Profit = TR − TC

13) Profit = (P - ATC)xQ = PQ = ATC x Q

14) Marginal Profit = (change in TR) / (change in units produced)

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FORMULA SHEET FOR CHAPTERS 7 AND 8

Chapter 7

1) Marginal product of labor = MPL
   MPL = (change in total product) / (change in quantity of labor)

2) APL = average product of labor

APL = (Total Product) / (Quantity of labor)

3) Accounting cost = out-of-pocket costs
4) Accounting Profit = Total Revenue – Accounting cost
5) Economic cost = out-of-pocket costs + (opportunity cost of inputs)
6) Economic Profit = Total Revenue – Economic cost
7) Cost of capital = (Price of capital) x (Quantity of capital)
8) Cost of labor = (Price of labor) x (Quantity of labor)
9) Total cost of capital and labor = Cost of capital + Cost of labor

Chapter 8

TC= Total Cost, TVC = Total variable cost, TFC = Total Fixed cost

ATC=Average Total Cost, AVC=Average variable cost, AFC=Average Fixed cost

Q = units of output produced, MC = Marginal Cost, MR= marginal revenue

TR = Total revenue, P= Price

10)   TC = TFC + TVC
11)   TFC = TC – TVC
12)   ATC = AVC + AFC
13)   AFC = ATC – AVC
14)   ATC = TC / Q
15)   AVC = TVC / Q
16)   AFC = TFC / Q
17)   TFC = AFC x Q
18)   TVC = AVCx Q
19)   TC = ATC x Q