

EC 131 - Lecture 11

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Textbook readings: Chapter 13

1 Costs of Production

- Firm's objective: maximize profits
- Opportunity costs
 - Explicit costs
 - Implicit costs
- Profit
 - Economic profit
 - Accounting profit
- Production function
- Marginal product
- Diminishing marginal product
- Costs
 - Fixed Costs (FC)
 - Variable Costs (VC)
 - Total Cost ($TC = FC + VC$)
 - Marginal Cost ($MC = \frac{\Delta TC}{\Delta Q}$)
 - Average Total Cost ($ATC = \frac{TC}{Q}$)
 - Average Fixed Cost ($ATC = \frac{FC}{Q}$)

- Average Variable Cost ($AVC = \frac{VC}{Q}$)
- Relationship between Marginal Cost and Average Total Cost