Objectives for Chapter 7  
Short-Run Costs and Output Decisions

Costs
1. Define, distinguish, and explain the relationships among total cost, total fixed cost and total variable cost.
2. Define, distinguish, and explain the relationships among average total cost, average fixed cost and average variable cost.
3. Interpret the cost diagrams.
4. Define and graph the marginal cost.
5. Explain the shape of the marginal cost curve, using your knowledge of marginal product.
6. Relate marginal cost to total variable cost and total cost.

Revenues
7. Define marginal revenue.
8. Explain why marginal revenue is constant in perfect competition.

Profit-Maximization
9. State how firms determine the profit-maximizing level of output.
10. Graphically and algebraically, determine the profit-maximizing level of output.
11. Explain why the marginal cost curve above the AVC curve is the firm’s short-run supply curve.