Simple Economics

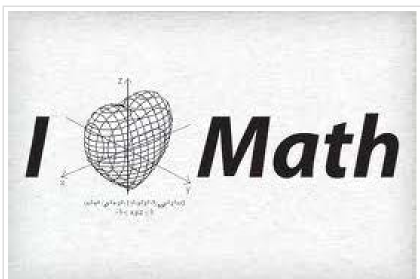
Learn Wealth Creation

About

Introduction to basic Economics Formulas

Economics Mathematics, Economics Theory March 20, 2012 1 Comment

One of the important tasks in economics is the evaluation of alternatives to determine which best satisfies given objectives or goals. In order to do this it is often desirable determine cause and effect relationships and to quantify variables. Mathematics is a powerful tool that aids both these tasks. It is impossible to do economic analysis without some elementary understanding of basic

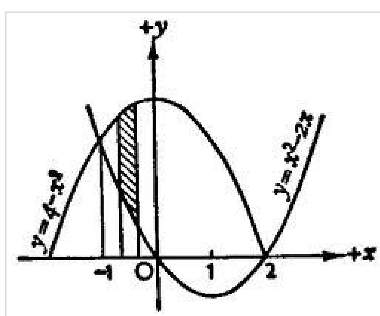


math tools.

Mathematics is a very precise language that is useful in expressing causal relationships between related variables. Since microeconomics is the study of the relationships between resources and the production of goods that are used to satisfy wants, mathematics is indispensable. When decisions are made about the allocation of resources, it is desirable to be able to express how a change in one input will alter the output and ultimately change the utility of individuals.

Here is a list of some of the basic microeconomics formulas pertaining to revenues and costs of a firm.

Remember when you're using these formulas there are a variety of assumptions, namely, that the the firm is profit-maximizing



Average Total Cost (ATC) = Total Cost / Q (Output is quantity produced or 'Q')

Average Variable Cost (AVC) = Total Variable Cost / QAverage

Fixed Cost (AFC) = ATC – AVC

Total Cost (TC) = (AVC + AFC) X Output (Which is Q)

Total Variable Cost (TVC) = AVC X Output

Total Fixed Cost (TFC) = TC – TVC

Marginal Cost (MC) = Change in Total Costs / Change in Output

Marginal Product (MP) = Change in Total Product / Change in Variable Factor

Marginal Revenue (MR) = Change in Total Revenue / Change in Q

Average Product (AP) = TP / Variable Factor

Total Revenue (TR) = Price X Quantity

Search

ARCHIVES

March 2012

CATEGORIES

Economics Mathematics

Economics Theory

Introduction to economics

Uncategorized

META

Register

Log in

Entries RSS

Comments RSS

WordPress.com

Average Revenue (AR) = TR / Output

Total Product (TP) = AP X Variable Factor

Economic Profit = TR – TC > 0

A Loss = TR – TC < 0

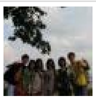
Break Even Point = AR = ATC

Profit Maximizing Condition = MR = MC

Explicit Costs = Payments to non-owners of the firm for the resources they supply.

Simple Economics Continued *Opportunities on our Import –Export Balances*

One thought on "Introduction to basic Economics Formulas"



Stanford Ong October 27, 2012 at 3:24 pm Reply

thank you so much :D:D i think i can pass my exam now!!!

Leave a Reply