Cost, Revenue, Profit

The profit is the difference between the revenue (sales) and the cost, if x units are produced and sold, we can write the following: P(x) = R(x) - C(x) Where: P(x) = profit from sale of x units. R(x) = revenue from sale of x units C(x) = cost of production and sale of x units Revenue = (price per unit)(number of units)= p.q The cost is composed of two parts, fixed costs and variable costs: • Fixed costs such as rent, utilities... remain constant regardless of the number of units produced. • Variable costs are those directly related to the number of units produced. In general: Cost = Variable costs + fixed costs • Break-Even Point: the point where revenue equals cost R(x) = C(x).

Demand and Supply

You learned that where the line crosses the vertical axis is called an intercept.
(intercepts are easy to deduce: set x = 0, then figure out what y will be, e.g. in this case,
when you set x = 0, y = 3. So the intercept is 3 on the y axis).
You also learned that the line also has what is called a slope. The slope is roughly defined as "Rise over Run".
Slope = Rise/Run

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