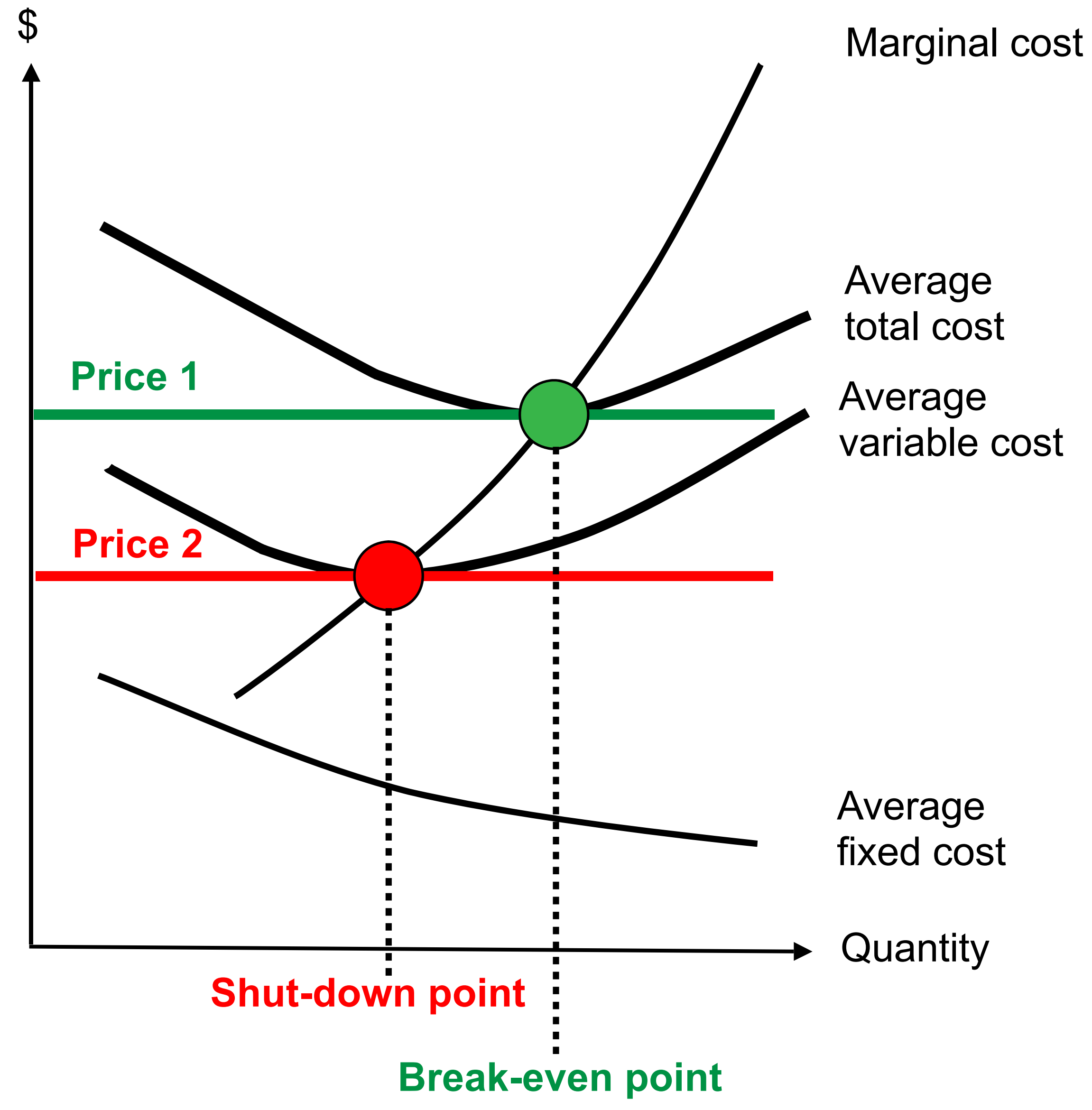
Break-even and shut-down point

Assumptions:

- Competitive firm (→ The price is given.)
- Short-run (→ There are fixed and variable costs.)



Shut-down point → Price (P) = Average variable cost
There is no production if P **<** Average variable cost

Break-even point → P = Average revenue = Average cost
There is no profit at the break-even point.