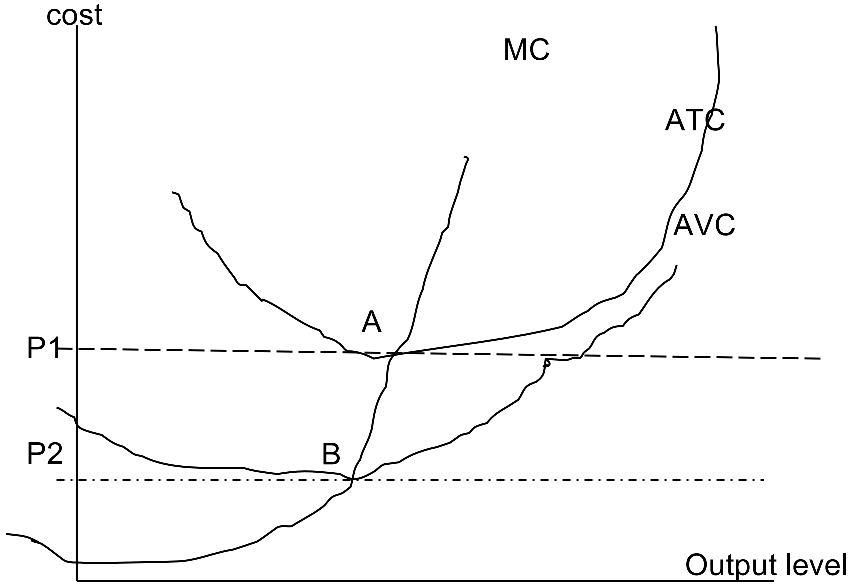
Average costs



Where P1 is the price that would allow the firm to break even. They would choose to sell output A (where MR or P = MC and they would have ATC = AR, or no profit. At P2 they would sell B output level and cover their AVC only, but none of their fixed costs– this is the reservation price.