

# Important Microeconomics Formulas PDF



## Formulas Examples with Units

### List of 12 Important Microeconomics Formulas

#### 1) Average Total Cost Formula ↻

Formula

$$ATC = \frac{Tc}{Q}$$

Example

$$70 = \frac{3500}{50}$$

Evaluate Formula ↻

#### 2) Average Variable Cost Formula ↻

Formula

$$AVC = \frac{TVC}{Q}$$

Example

$$400 = \frac{20000}{50}$$

Evaluate Formula ↻

#### 3) Equation of Motion for Capital Stock Formula ↻

Formula

$$K_{t+1} = (1 - D) \cdot K_t + I_t$$

Example

$$130890 = (1 - 11880) \cdot 90 + 1200000$$

Evaluate Formula ↻

#### 4) GDP Deflator Formula ↻

Formula

$$GD = \frac{NG}{RG} \cdot 100$$

Example

$$30 = \frac{15000}{50000} \cdot 100$$

Evaluate Formula ↻

#### 5) Gross Domestic Product Formula ↻

Formula

$$GDP = PCN + GI + G + NX$$

Example

$$7.8E+8 = 1215 + 80000 + 780000000 + 30000$$

Evaluate Formula ↻

#### 6) Investment Multiplier Formula ↻

Formula

$$K = \frac{1}{1 - MPC}$$

Example

$$5 = \frac{1}{1 - 0.8}$$

Evaluate Formula ↻



## 7) Marginal Cost Formula ↻

Formula

$$MLC = \frac{CHTC}{\Delta Y}$$

Example

$$6.25 = \frac{500}{80}$$

Evaluate Formula ↻

## 8) Marginal Efficiency of Investment Formula ↻

Formula

$$MEI = \frac{Y_p}{SP} \cdot 100$$

Example

$$25 = \frac{2000}{8000} \cdot 100$$

Evaluate Formula ↻

## 9) Net Exports of Goods and Services Formula ↻

Formula

$$NX = X - M$$

Example

$$30000 = 40000 - 10000$$

Evaluate Formula ↻

## 10) Philips Curve Formula ↻

Formula

$$\lambda_t = \lambda^e - \beta \cdot (U_t - U_n)$$

Example

$$500000 = 1000000 - 1000 \cdot (5000 - 4500)$$

Evaluate Formula ↻

## 11) Price Elasticity of Demand Formula ↻

Formula

$$PED = \frac{PCQ}{\% \Delta P}$$

Example

$$0.4444 = \frac{4}{9}$$

Evaluate Formula ↻

## 12) Rate of Inflation Formula ↻

Formula

$$R = \frac{ECPI - ICPI}{ICPI}$$

Example

$$0.06 = \frac{106 - 100}{100}$$

Evaluate Formula ↻



## Variables used in list of Microeconomics Formulas above

- **% $\Delta$ P** Percentage Change in Price
- **ATC** Average Total Cost
- **AVC** Average Variable Cost
- **CHTC** Change in Total Costs
- **D** Depreciation
- **ECPI** Ending Consumer Price Index
- **G** Government Consumption
- **GD** Gross Domestic Product Deflator
- **GDP** Gross Domestic Product
- **GI** Gross Investment
- **I<sub>t</sub>** Investment Today
- **ICPI** Initial Consumer Price Index
- **K** Investment Multiplier
- **K<sub>t</sub>** Capital Used Today
- **K<sub>t+1</sub>** Equation of Motion for Capital Stock
- **M** Imports
- **MEI** Marginal Efficiency of Investment
- **MLC** Marginal Cost
- **MPC** Marginal Propensity to Consume
- **NG** Nominal Gross Domestic Product
- **NX** Net Exports of Goods and Services
- **PCN** Private Consumption
- **PCQ** Percentage Change in QD
- **PED** Price Elasticity of Demand
- **Q** Quantity of Each Order
- **R** Rate of Inflation
- **RG** Real Gross Domestic Product
- **SP** Supply Price
- **Tc** Total Cost
- **TVC** Total Variable Cost
- **U<sub>n</sub>** Unemployment at Natural Rate
- **U<sub>t</sub>** Unemployment Today
- **X** Exports
- **Y<sub>p</sub>** Prospective Yield
- **$\beta$**  Fixed Positive Coefficient
- **$\Delta$ Y** Change in Output









- $\lambda_t$  Philips Curve
- $\lambda^e$  Expected Inflation



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