

Revenue

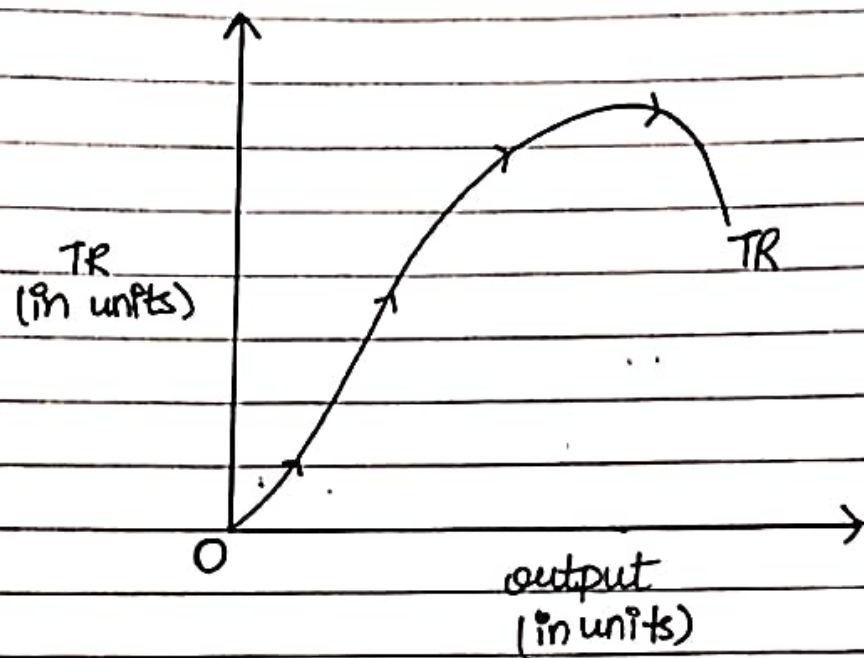
It refers to the money receipt from sale of a commodity.

Revenue has 3 forms:

1. Total Revenue
2. Marginal Revenue
3. Average Revenue

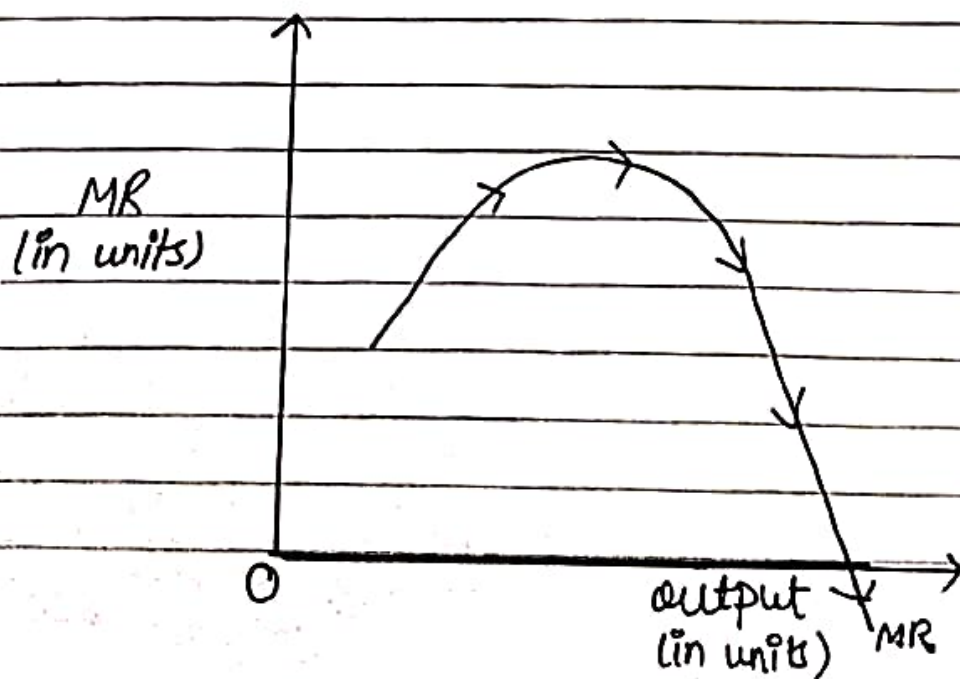
Total Revenue

1. It Refers to the total receipts of firm by selling all units of a commodity in a given period of time.
2. In other words, TR is cumulative sum total of MR.
3. $TR = \sum MR$
 $TR = AR \times \text{Quantity}$.
4. TR - curve initially increases at increasing rate, increases at decreasing rate and falls with increase in output.



Marginal Revenue

1. It refers to the additional revenue by selling an additional unit of a commodity.
2. MR is slope of TR-curve
3. $MR = TR_n - TR_{n-1} = \frac{\Delta TR}{\Delta MR}$
4. MR-curve initially rises, reaches maximum and then falls. MR can be negative

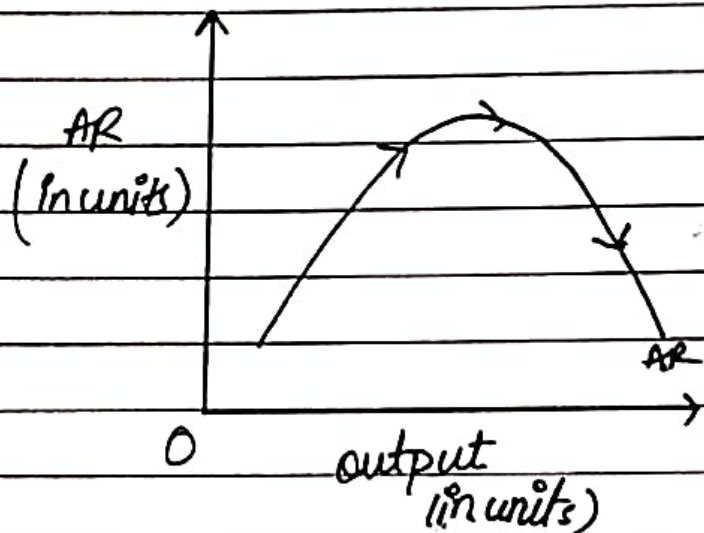


Average Revenue

1. It Refers to per unit revenue of the product sold.

2. $AR = \frac{TR}{Q}$

3. AR - curve initially rises, reaches maximum and then falls.



General Relationships b/w MR & TR

1. When MR rises, TR increases at increasing rate.

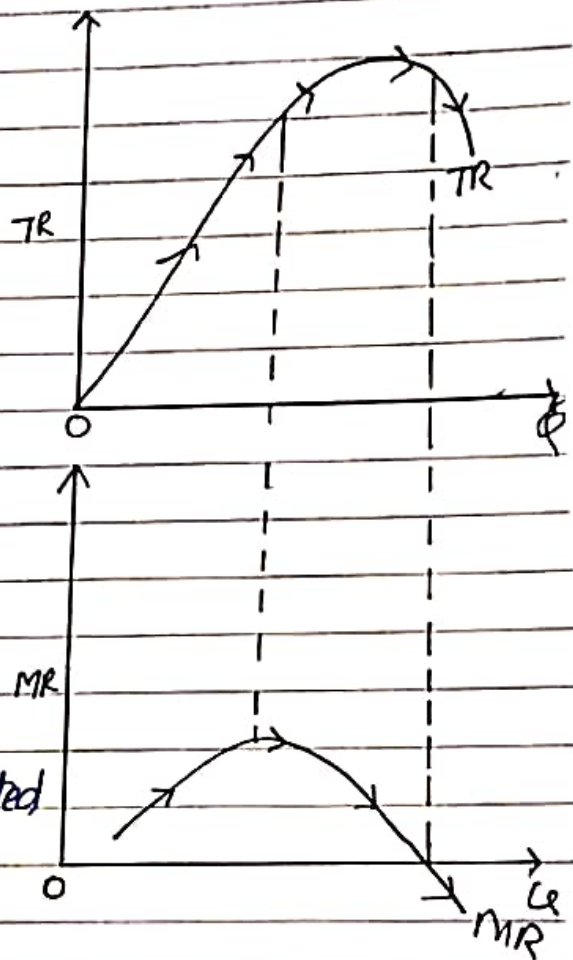
2. When MR falls but remains positive, TR increases at decreasing rate.

3. When MR is zero, TR is maximum.

4. When MR becomes negative, TR starts falling.

5. Both MR & TR can be calculated by each other i.e. $MR = \frac{\Delta TR}{\Delta Q}$,

$$TR = \sum MR$$



General Relationships b/w MR & AR

1. MR-curve cuts AR-curve at its maximum point.

OR

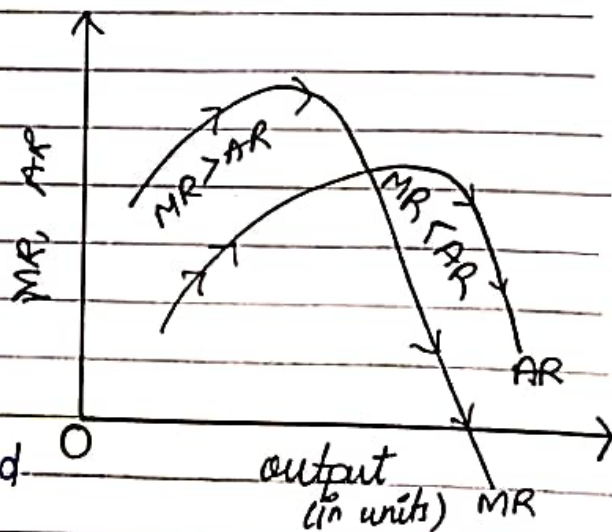
When $MR = AR$, AR is maximum

2. When $MR > AR$, AR rises

3. When $MR < AR$, AR falls

4. Both MR & AR can be calculated through TR.

i.e. $MR = \frac{\Delta TR}{\Delta Q}$, $AR = \frac{TR}{Q}$

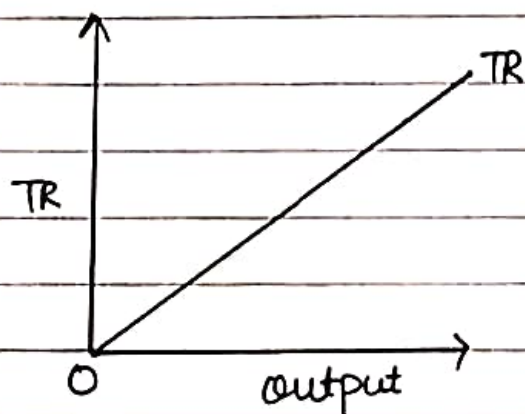


* TR, MR and AR $\rightarrow$ Perfect Competition

When more quantity can be sold at constant price.

Quantity	Price ₹	TR	MR	AR
1	10	10	10	10
2	10	20	10	10
3	10	30	10	10
4	10	40	10	10
5	10	50	10	10

- (i) In the above case, TR increases at constant rate with increase in output.
i.e.



- (ii) MR remains constant and MR-curve is parallel to x-axis.
i.e.

