
REVENUE
CONCEPT

MEANING OF REVENUE

Revenue of a firm is its money receipts from the sale of its product in a given period.

Revenue = Price X Product

Revenue = Cost + Profit

Profit = Revenue – Cost

CONCEPT OF REVENUE

Total Revenue – Sum total of money received of a firm from the sale of a given output.

$$TR = P*Q$$

Marginal Revenue – Change in total revenue by selling of one more unit of a commodity.

$$MR = TRn – TR(n-1)$$

$$\boldsymbol{MR} = \Delta\boldsymbol{TR}/\Delta\boldsymbol{Q}$$

Average Revenue – Revenue per unit of output is called average revenue.

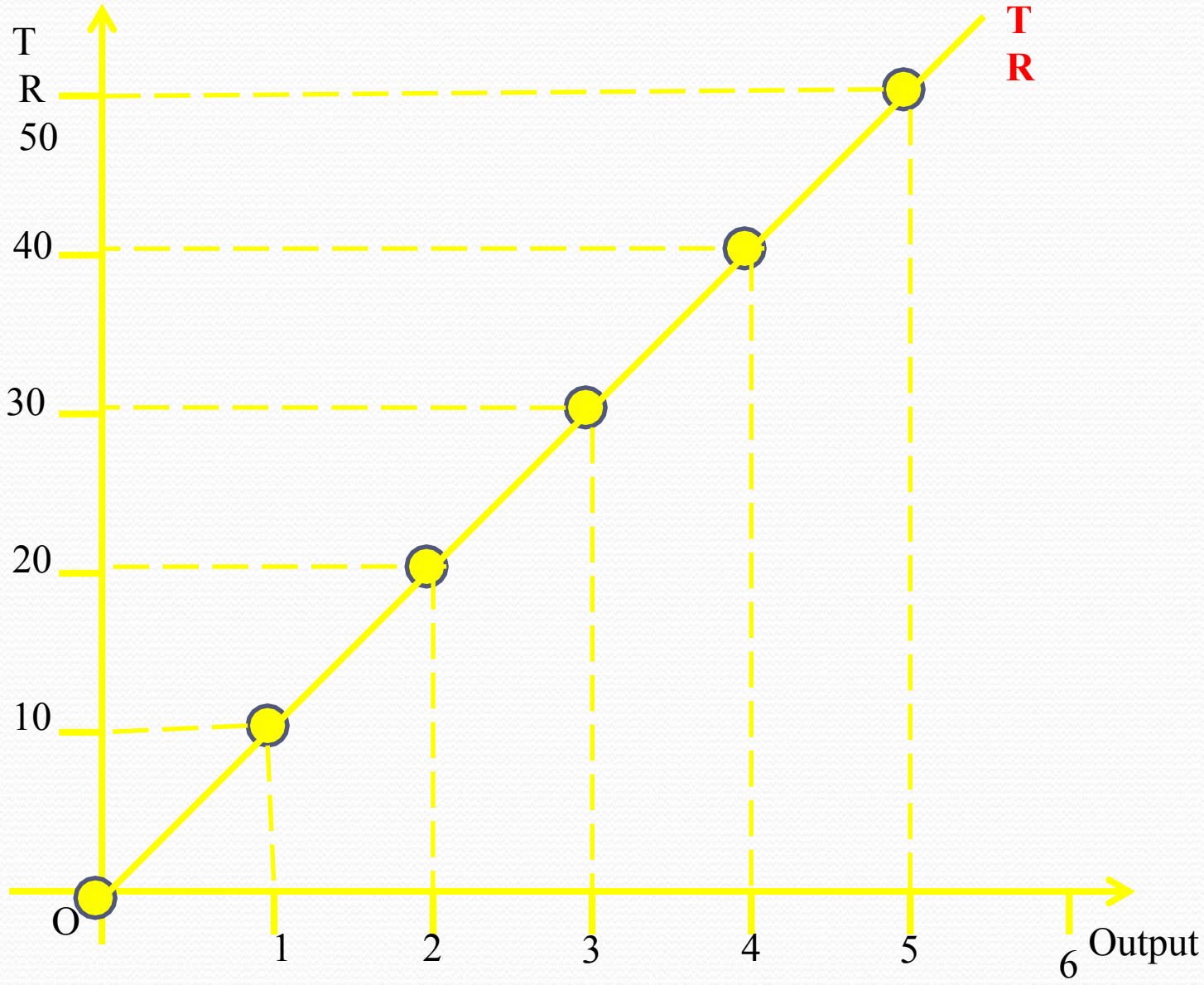
$$AR = TR/Q$$

Derivation of TR, AR and MR under perfect competitive and imperfect market structure.

Relationship between TR, AR and MR.

Total Revenue Under Perfect Competition

Units of Output (Q)	Per Unit Price (P)	Total Revenue (TR)
0	10	0
1	10	10
2	10	20
3	10	30
4	10	40
5	10	50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AVERAGE REVENUE UNDER PERFECT COMPETITION

Units of Output (Q)	Per Unit Price (P)	Total Revenue (TR)	Average Revenue (AR) = TR/Q
0	10	0	-
1	10	10	10
2	10	20	10
3	10	30	10
4	10	40	10
5	10	50	10

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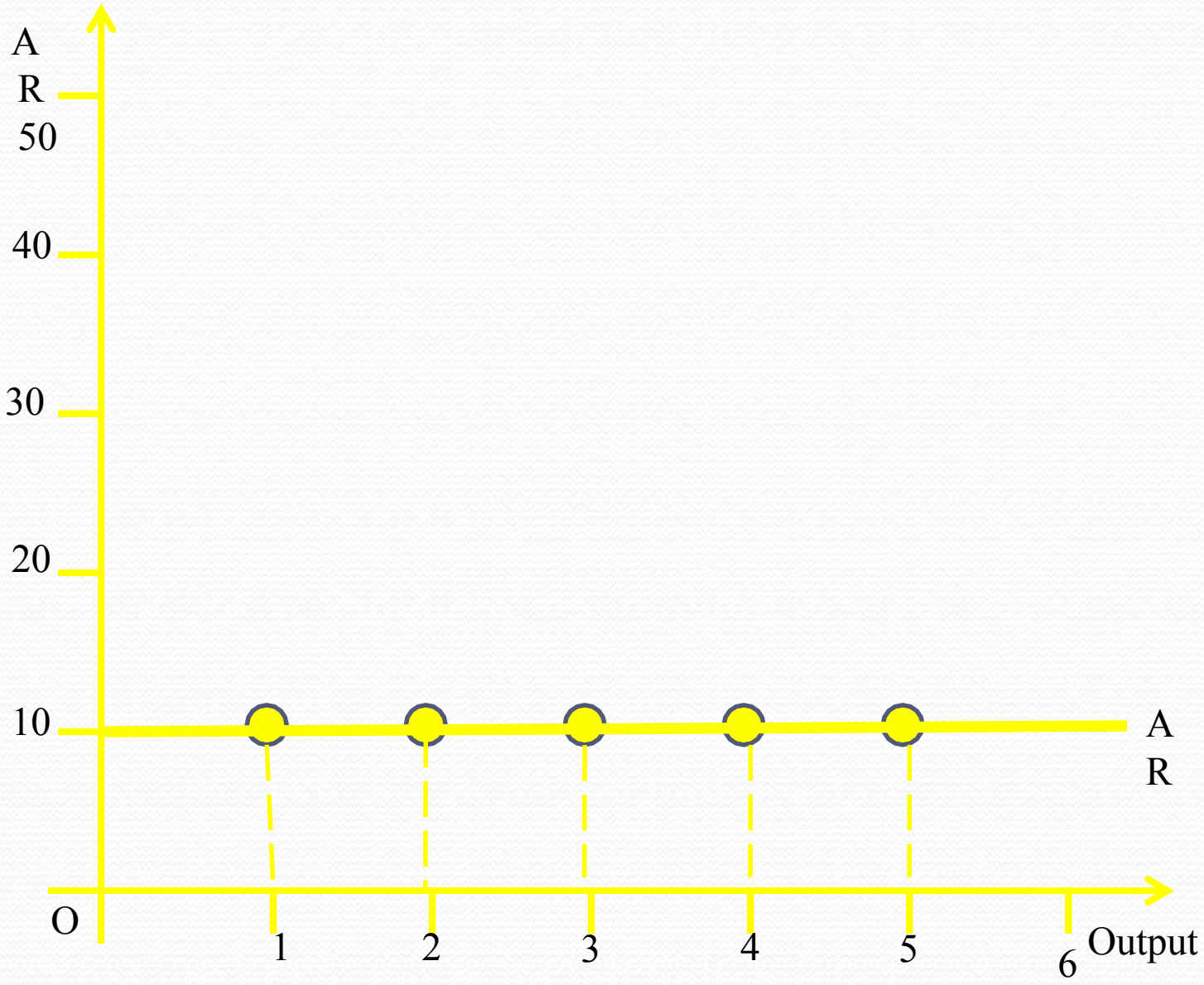

Marginal Revenue in Perfect Competition

Units of Output (Q)	Per Unit Price (P)	Total Revenue (TR) = P × Q	Average Revenue (AR) = TR/Q	Marginal Revenue (MR) = ΔTR/ΔQ
0	10	0	-	-
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

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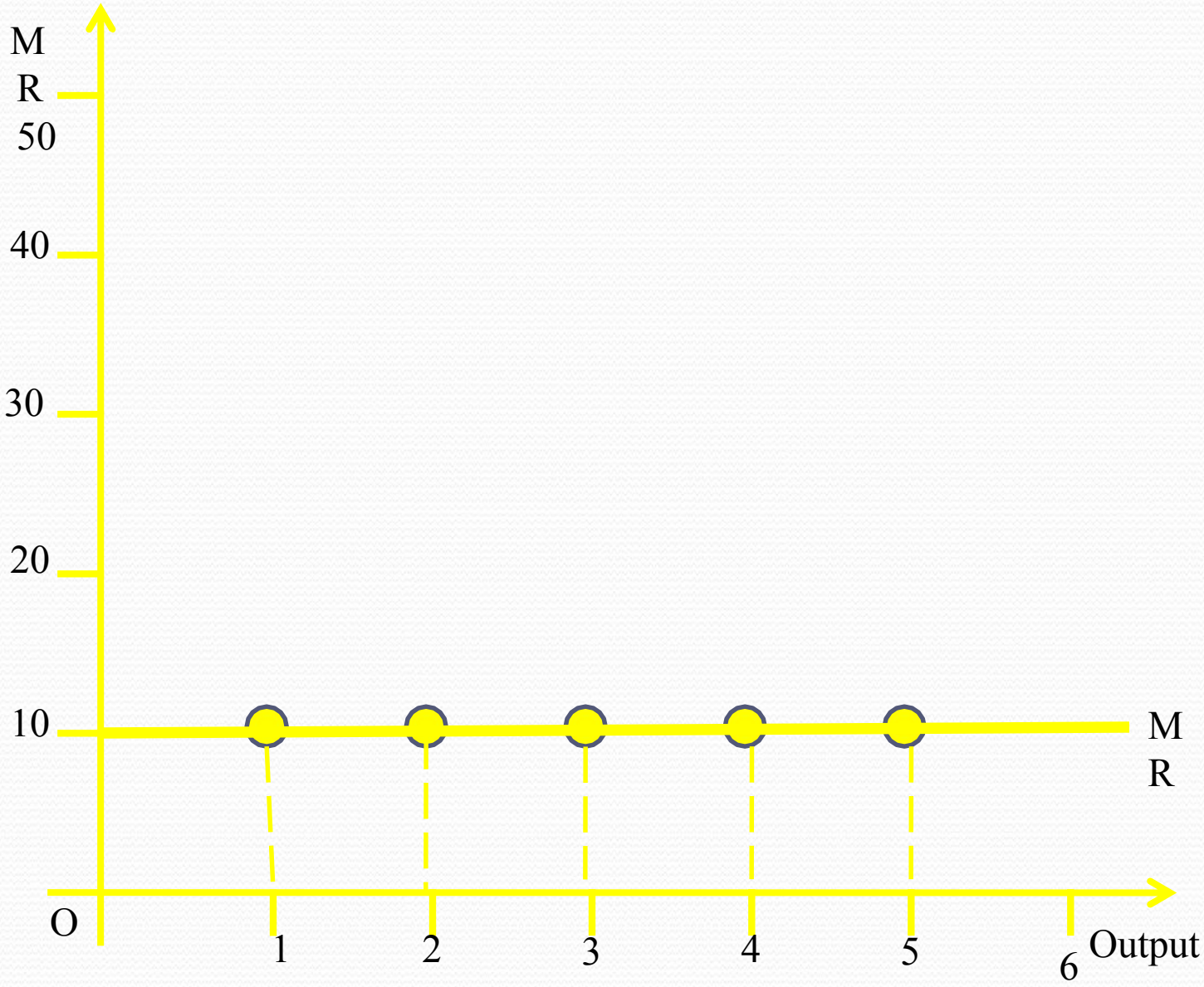


TR, AR AND MR SCHEDULE

Price	Units of output	TR	AR	MR
10	1	10	10	10
9	2	18	9	8
8	3	27	8	6
7	4	28	7	4
6	5	30	6	2
5	6	30	5	0
4	7	28	4	-2
3	8	24	3	-4

A. Total Revenue (TR):

Formula: $TR = P \times Q$

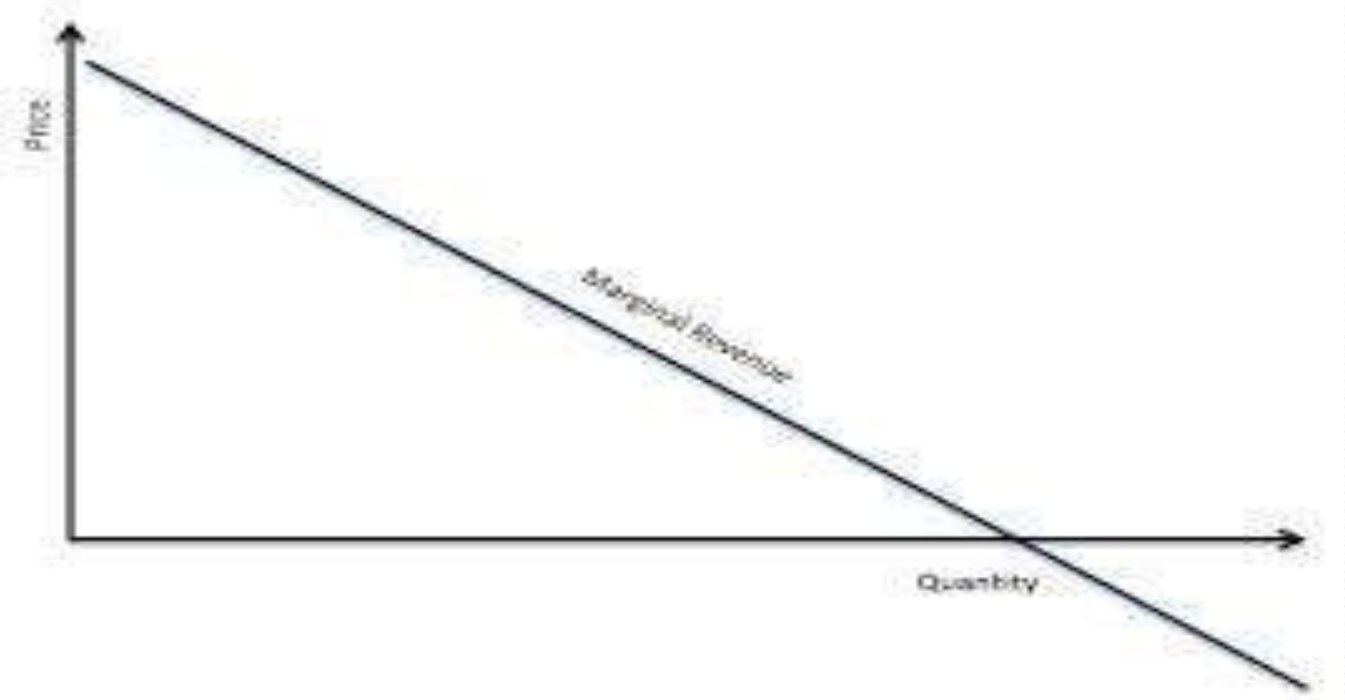
B. Average Revenue (AR):

Formula:

$$AR = \frac{TR}{Q} = \frac{P \times Q}{Q} = P$$

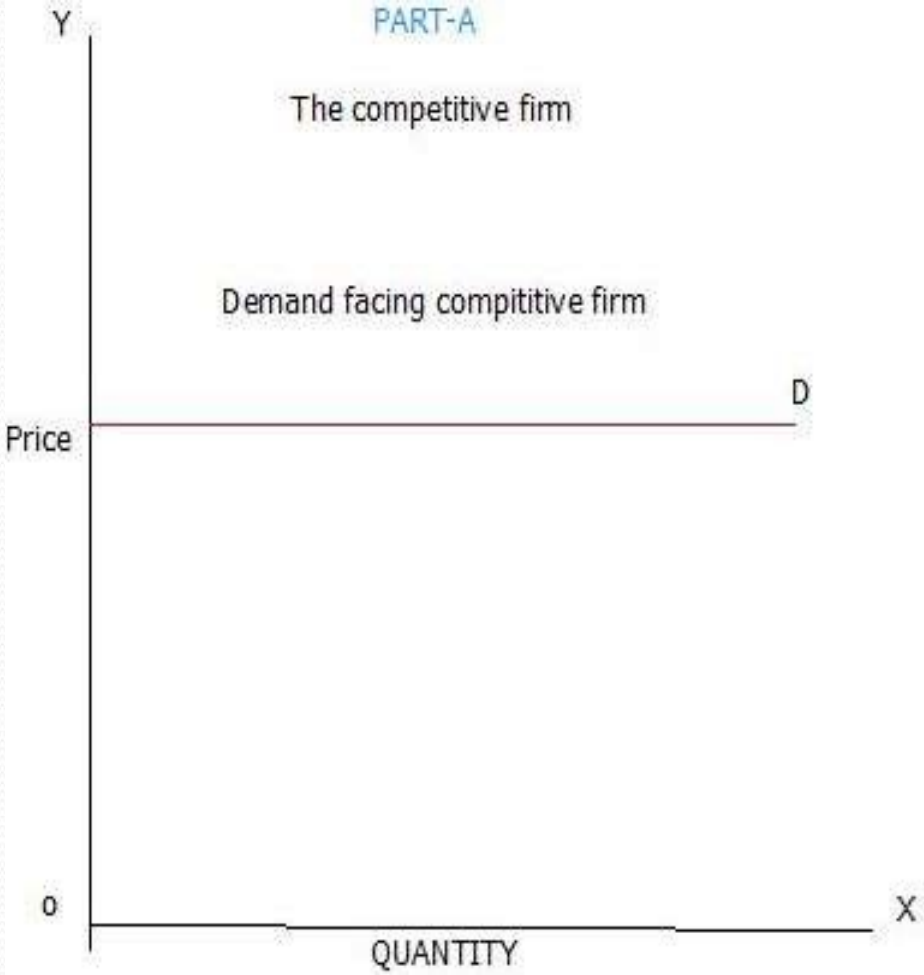
$$\therefore AR = P$$

C. Marginal Revenue (MR):

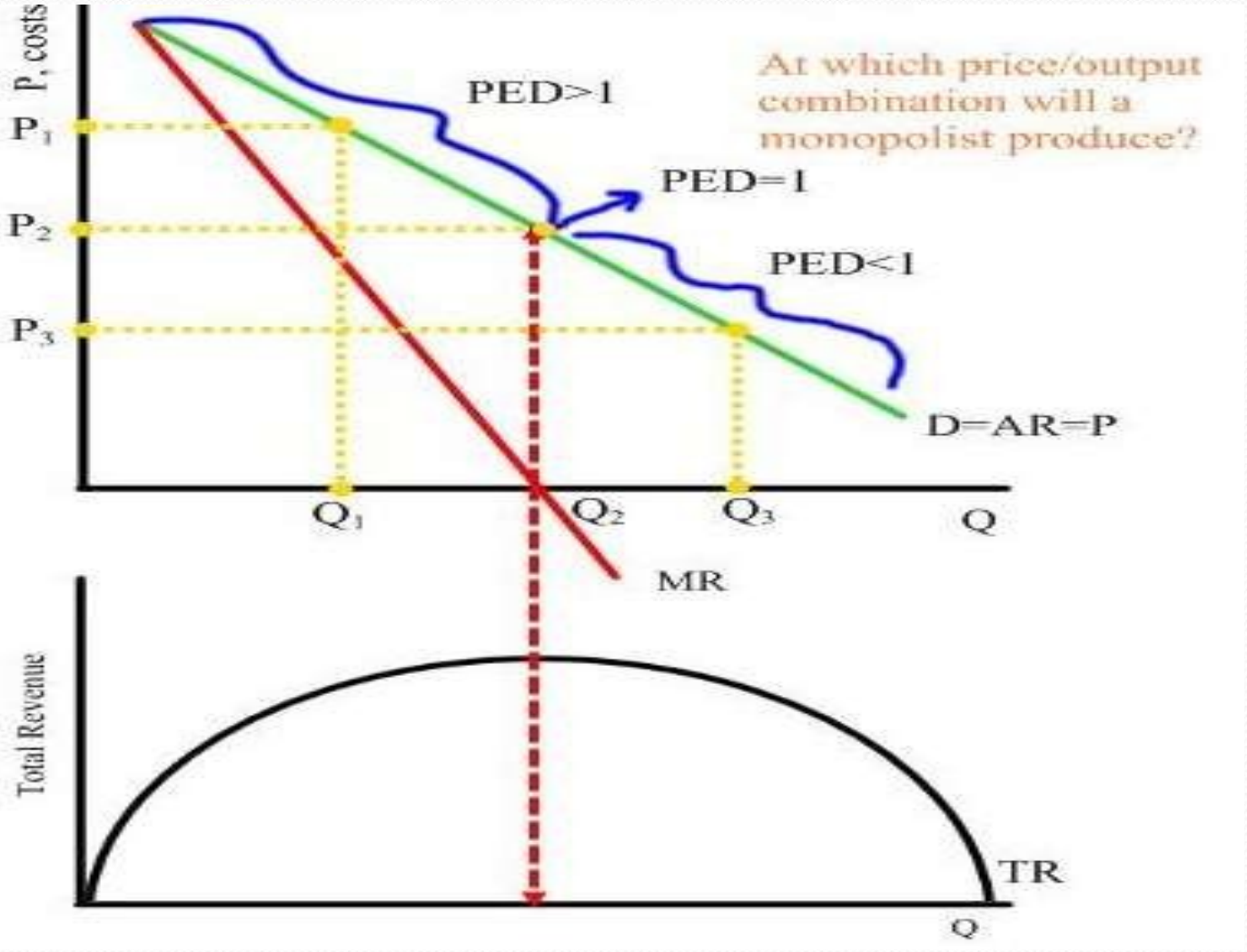


Formula: $$MR_n = TR_n - TR_{n-1}$$

Monopoly Market



AR, TR & MR Under Monopoly



RELATIONSHIP BETWEEN AR AND MR CURVES & PRICE ELASTICITY

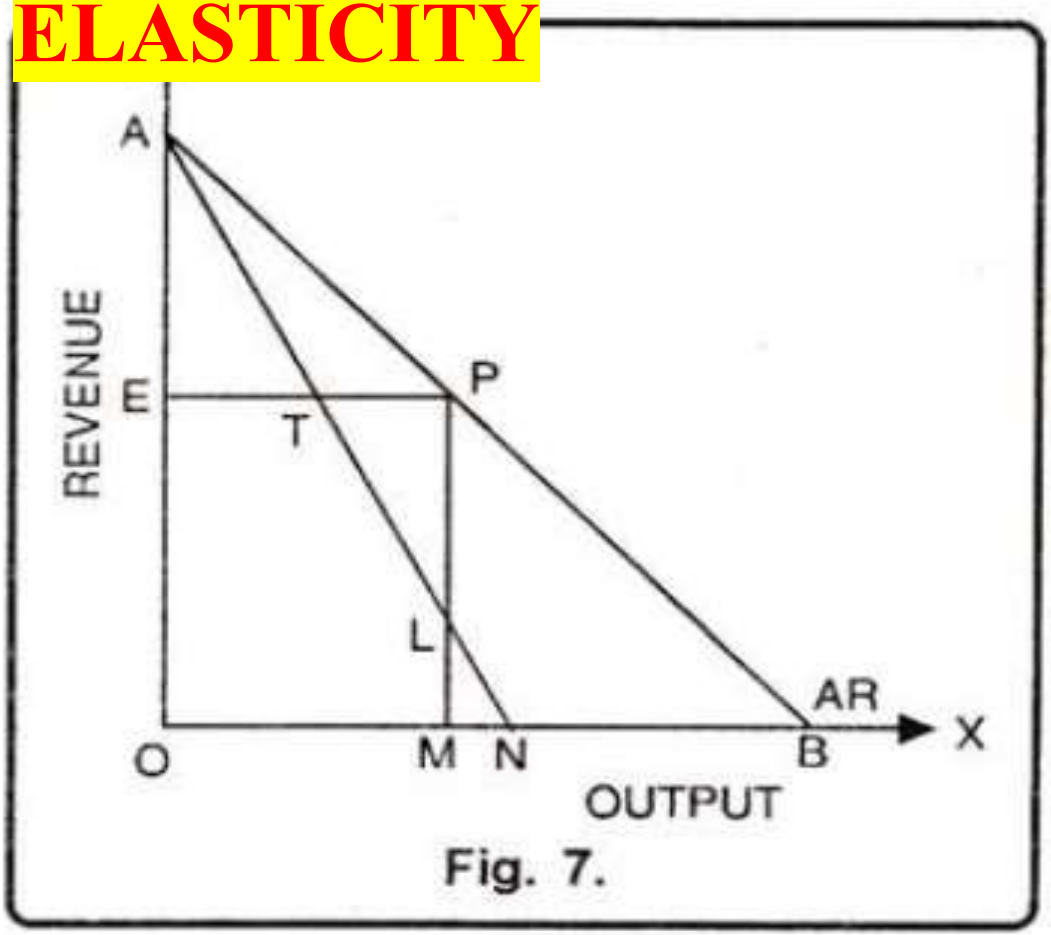
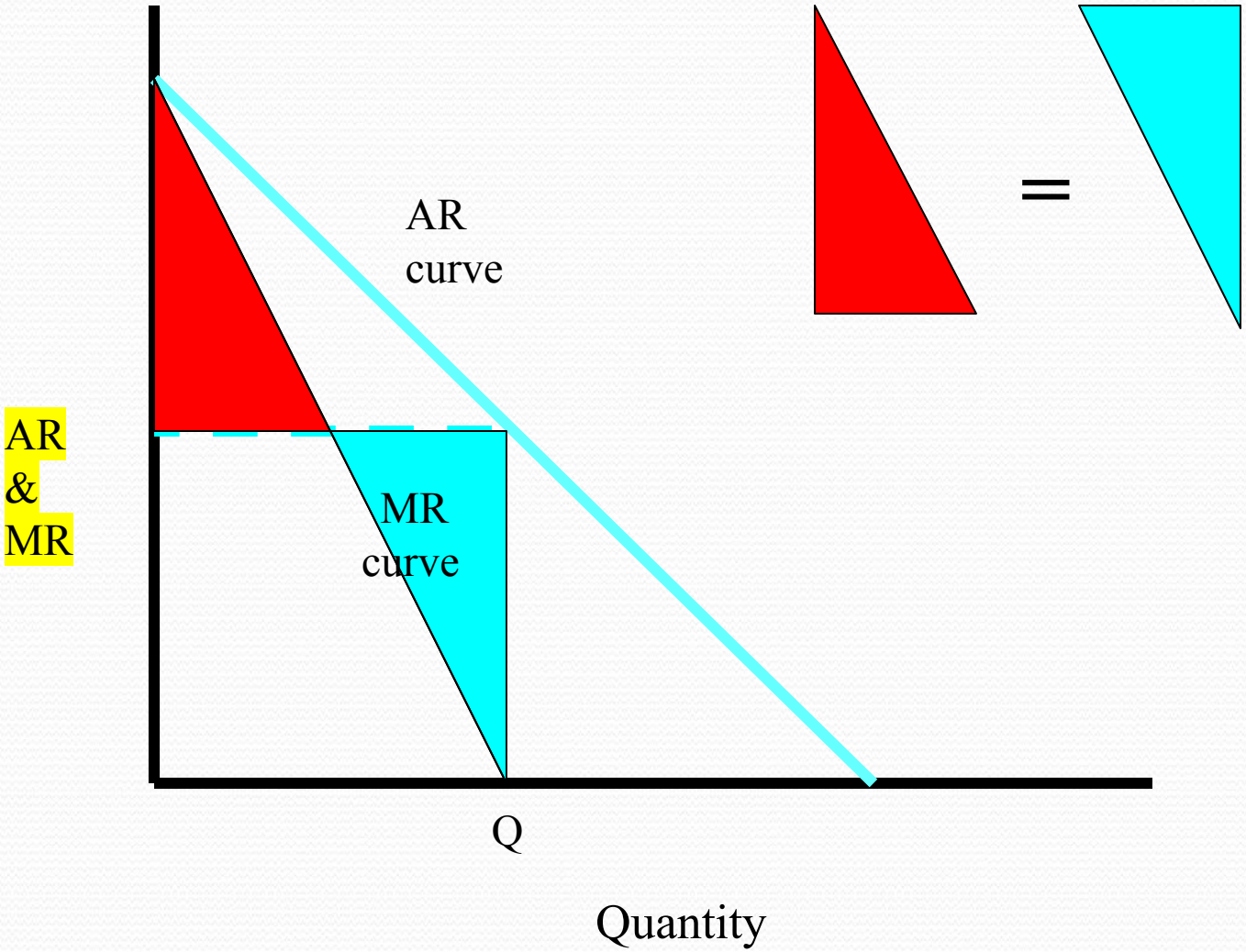


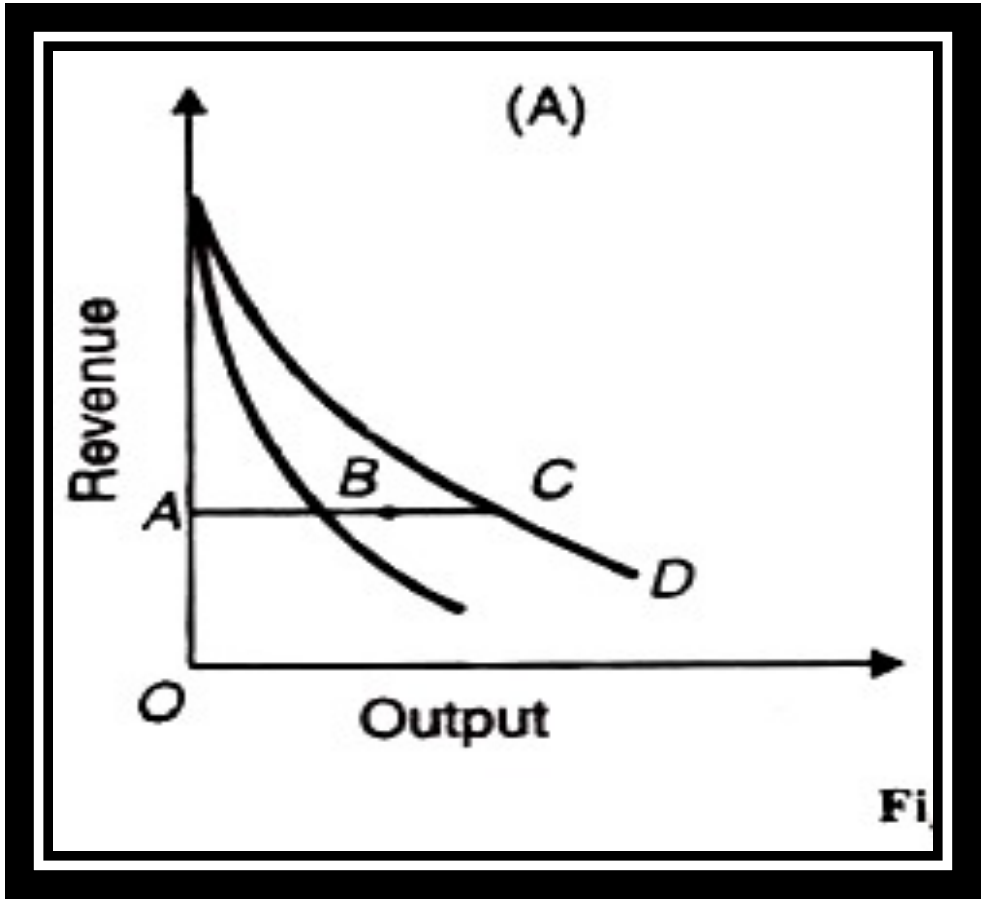
Fig. 7.

$$e = \frac{A}{A - M}$$

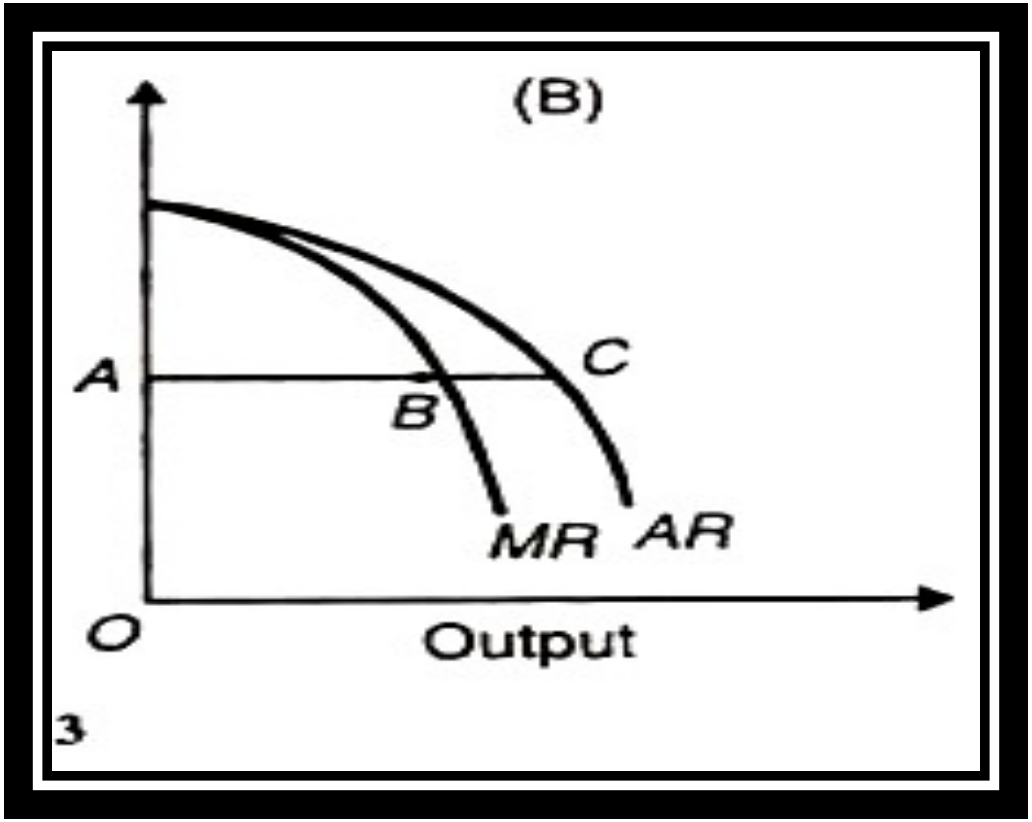
WHEN AR AND MR ARE FALLING AT A CONSTANT RATE



WHEN AR AND MR ARE CONVEX TO THE ORIGIN



WHEN AR AND MR ARE CONCAVE TO THE ORIGIN



THANK YOU