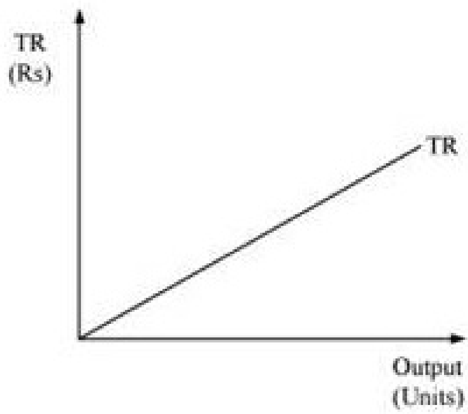
Q4. Why is the total revenue curve of a price-taking firm an upward-sloping straight line? Why does the curve pass through the origin?
Ans:The total revenue curve for a firm in a perfectly competitive market is an upward sloping curve because the price or AR remains constant and MR is also equal to AR. Thus, TR can only be influenced by altering the output sold, as the price remains constant. The increase in TR is in the same proportion as the increase in the output sold.
The curve passes through the origin, which implies that no matter what the price level is, if the output sold is zero, TR will also be zero.



Q5. What is the relation between market price and average revenue of a price taking firm?
Ans: Average Revenue is defined as the revenue per unit of the output sold. It is expressed as the ratio between total revenue and the output sold.
AR= TR/Q
We know that,
AR = PxQ/Q
TR = P × Q
AR = P
Thus, the market price and the average revenue are the same for a perfect competitive firm.

*********** END **********