



Q2. How are the total revenue of a firm, market price, and the quantity sold by that firm related to each other?

Ans: Total revenue is defined as the total sales proceeds of a producer by selling corresponding level of output. In other words, it is defined as price times the quantity of output sold.

Total Revenue = Price x Quantity of output sold

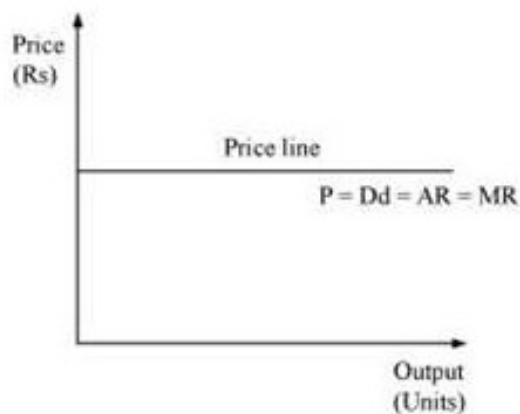
$$TR = P \times Q$$

$$TR = PQ$$

In a perfectly competitive market, the market price is given, i.e., a firm acts as a price taker and cannot influence the price. Hence, a particular firm can influence its TR by altering the quantity of output sold.

Q3. What is the price line?

Ans: Price line is the graphical representation of the relationship between output and price, with x-axis denoting the output and y-axis denoting the price. For a perfectly competitive firm, price line and demand curve are the same.



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