MRP_K =1

$MRP_K = 90$

 $P_{K} = 90$

The firm gets \$1 in revenue for each dollar spent on Capital

We know the firm has purchased the optimum number of machines if $MRP_K = P_K$

The firm spends \$90 (P_K) to buy a piece of equipment, and gets \$90 in revenue from that piece

Example:

Revenue per dollar MRP_{κ} spent on Capital

if $MRP_K = P_K$

$MRP_K = 120$

 $P_{K} = 60$

The firm gets \$2 in revenue for each dollar spent on Capital

Example:

The firm should buy that piece of equipment: increase the use of capital

We know the firm has purchased the optimum number of machines if $MRP_K = P_K$

Example:
$$\frac{MRP_K = 90}{P_K = 90}$$
 The firm spends \$90 (P_K) to buy a piece of equipment, and gets \$90 in revenue from that piece

if
$$MRP_K = P_K$$
 $\frac{MRP_K}{P_K} = 1$ The firm gets \$1 in revenue for each dollar spent on Capital

$$\frac{MRP_{K}}{P_{K}} = \frac{Revenue per dollar}{spent on Capital}$$

Example:
$$\frac{MRP_{K} = 120}{P_{K} = 60} = 2$$

The firm gets **\$2** in revenue for each dollar spent on Capital

The firm should buy that piece of equipment: increase the use of capital

We know the firm has hired the optimum number of workers if $MRP_L = P_L$