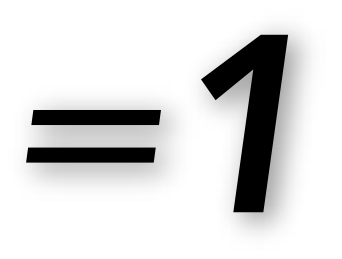
$$\frac{MRP_K = 45}{P_K = 90}$$

$=0.5$

*Your get **$1** in revenue for each dollar spent on Capital*

$If\ MRP_K < P_K$

$$\frac{MRP_K = 90}{P_K = 90}$$



Use less capital

Example:

*Your get only **$50 cents** in revenue for each dollar spent on Capital*

$$\frac{MRP_K = 270}{P_K = 90}$$


=3

$If\ MRP_K > P_K$

Use more capital

*Your get **$3** in revenue for each dollar spent on Capital*

$$If\ MRP_K = P_K$$

Optimal amount of capital

Example:

$$\frac{MRP_K = 90}{P_K = 90} = 1$$

*Your get **$1** in revenue for each dollar spent on Capital*

If $MRP_K = P_K$ → *Optimal amount of capital*

$$\frac{MRP_K = 270}{P_K = 90} = 3$$

*Your get **$3** in revenue for each dollar spent on Capital*

If $MRP_K > P_K$ → *Use more capital*

$$\frac{MRP_K = 45}{P_K = 90} = 0.5$$

*Your get only **$50 cents** in revenue for each dollar spent on Capital*

If $MRP_K < P_K$ → *Use less capital*