

Economics Workshop

Topic 6: Revenue and Profit

1. Complete the following table for profit-maximising firm producing Good X in the short run, and determine the profit maximising price and output for the firm.

Q	TC	TR	TFC	TVC	MR	TΠ
0	30	0	30			
1	40	50	30			
2	46	70	30			
3	48	84	30			
4	50	94	30			
5	60	100	30			
6	72	102	30			

2. Complete the following table:

Marginal Condition	Decision (increase or reduce output)
MR > MC	
MR < MC	
MR = MC	

3. A firm will maximise its profits if it produces and sells the level of output where:
- Marginal revenue equals average cost.
 - Average revenue equals average cost.
 - Average revenue equals total cost.
 - Marginal revenue equals marginal cost.
 - Average revenue equals marginal cost.

4. A store will supply T-shirts to a student society at \$12 a T-shirt, but will offer a 30% discount on the total bill of 100 T-shirts or more are purchased. What would be the firm's marginal revenue for the 100th T-shirt?
- a. -\$348
 - b. \$84
 - c. \$840
 - d. -\$353
 - e. \$12
5. Consider a firm operating in a market in which it is a price taker. In other words, it faces a horizontal demand curve. What shape is its total revenue curve?
- a. Rectangular hyperbola
 - b. Ellipse
 - c. \$840
 - d. Parabola
 - e. A straight line out from the origin