-Modules-

REVENUE

Dr. D. K. More
Asso. Professor
Dept. of Business Economics
Arts & Commerce College, Ashta
E-mail-dinkarmore111@gmail.com

The term revenue refers to the receipts obtained by a firm form the sale of certain quantities of a commodity at various prices. The revenue concept related to total revenue, average revenue and marginal revenue.

Total Revenue

Total revenue is the total sale proceeds of a firm by selling a commodity at a given price. If a firm sells 2 units of a commodity at Rs. 18, total revenue is 2 x 18 = Rs. 36. Thus total revenue is price per unit multiplied by the number of units sold,

i.e. $R = PQ$,

Where, R is the total revenue

P the price and

Q the quantity

Average Revenue

Average revenue (AR) is the average receipts from the sale of certain units of the commodity. If is found out by dividing the total revenue by the number of units sold. In above example average revenue is 36 / 2 = Rs. 18. The average revenue of a firm is, in fact the price of the commodity at each level of output since

$$R = PQ$$

$$AR = R/Q = PQ/Q = P$$

$$P = f(Q)$$

Thus the functional relationship $P = f(Q)$ is the average revenue curve which reflects price as a function of quantity demanded. It is also the demand curve.

Marginal Revenue

Marginal revenue (MR) is the addition to total revenue as a result of a small increase in the sale of a firm. Marginal revenue is the addition to total revenue by selling n + 1 units instead of n units.

- Revenue schedule .....
- Revenue Curves under Perfect Competition
- Revenue Curves under Monopoly

Discussion