**Revenues**

* What is meant by the term **Total Revenue**.
* How to illustrate **Total Revenue.**
* Average Revenue
* Marginal Revenue
1. What do you understand by the term ‘**Total Revenue**?’

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1. How do you calculate **Total Revenue**?

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1. Why is **revenue** not the same thing as **profit**?

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1. Illustrate **Total Revenue** on the Demand and Supply diagram below.

# Quantity Demanded/Supplied

**Price**

1. Using the table below calculate the **Total Revenue** :-

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Price** | **Sales (Number of units 000’s)** | **Total Revenue** | **Average Revenue** | **Marginal Revenue** |
| 22 | 0 |  |  |  |
| 20 | 1 |  |  |  |
| 18 | 2 |  |  |  |
| 16 | 3 |  |  |  |
| 14 | 4 |  |  |  |
| 12 | 5 |  |  |  |
| 10 | 6 |  |  |  |
| 8 | 7 |  |  |  |
| 6 | 8 |  |  |  |
| 4 | 9 |  |  |  |
| 2 | 10 |  |  |  |
| 0 | 12 |  |  |  |

1. Plot the Total Revenue, Average Revenue and Marginal Revenue on the **graph paper**.



1. What do you notice about the Total, Average and Marginal Revenue curves ?

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**Average and Marginal Revenue**

* **Average Revenue in imperfectly competitive markets**
* **Marginal Revenue in imperfectly competitive markets**
1. What do you understand by the term ‘**Average Revenue**’?

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1. What do you understand by the term ‘**Marginal Revenue**’?

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* + What do you notice about the Marginal Revenue Curve with respect to the **Average Revenue Curve?**

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* The Average Revenue curve is also called the :-

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* Why is the **mid-point** of the Average Revenue curve significant in the case of imperfectly competitive markets (hint: elasticities)?

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1. On the diagram below sketch the three curves and identify the elasticities of demand on the AR curve.

**Output**

**Average,**

**Marginal,Total**

**Revenue**

* **Average Revenue in perfectly competitive markets**
* **Marginal Revenue in perfectly competitive markets**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Price** | **Sales (Number of units 00’s)** | **Total Revenue** | **Average Revenue** | **Marginal Revenue** |
| 5 | 0 |  |  |  |
| 5 | 1 |  |  |  |
| 5 | 2 |  |  |  |
| 5 | 3 |  |  |  |
| 5 | 4 |  |  |  |
| 5 | 5 |  |  |  |
| 5 | 6 |  |  |  |
| 5 | 7 |  |  |  |
| 5 | 8 |  |  |  |
| 5 | 9 |  |  |  |



**Price Elasticity of Demand**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Price** | **Sales (Number of units 00’s)** | **Total Revenue** | **Average Revenue** | **Marginal Revenue** | **PED****Value** |
| 20 | 1 |  |  |  |  |
| 18 | 2 |  |  |  |  |
| 16 | 3 |  |  |  |  |
| 14 | 4 |  |  |  |  |
| 12 | 5 |  |  |  |  |
| 10 | 6 |  |  |  |  |
| 8 | 7 |  |  |  |  |
| 6 | 8 |  |  |  |  |
| 4 | 9 |  |  |  |  |



**In the elastic region of the demand curve, as price falls, total revenue\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**In the inelastic region of the demand curve, as price falls, total revenue\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Total revenue is maximised when PED is equal to \_\_\_\_\_\_\_ and where marginal revenue is \_\_\_\_\_\_\_\_\_\_\_\_\_**

1. What is the value of Price Elasticity of Demand on the top half of the demand curve (Average Revenue curve).

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1. What will happen to Total Revenue if you reduce prices?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. What will happen to the **Total Revenue** if you raise prices?

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1. What is the value of **Price Elasticity of Demand** on the bottom part of the demand curve?

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1. What will happen if you **reduce** prices?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. What will happen if you **increase** prices?

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