**A2 Economics Unit 3**

**The Objectives of Firms: Revenues**

Task 1:

* Complete the table below which demonstrates a firm’s revenues in a perfectly competitive market.

***Use the following definitions to help you:***

* ***Profit = TR-TC.***
* ***Total Revenue = Price X No. Sold***
* ***Average Revenue = Total Revenue / No. Sold***
* ***Marginal Revenue = the addition to total revenue from production of one extra unit.***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Output** | **Price Per Unit £s** | **Total Revenue £s** | **Average Revenue £s** | **Marginal Revenue £s** |
| **0** | 500 | 0 | 0 |  |
|  |  |  |  | 500 |
| **1** | 500 | 500 | 500 |  |
|  |  |  |  |  |
| **2** | 500 |  |  |  |
|  |  |  |  |  |
| **3** | 500 |  |  |  |
|  |  |  |  |  |
| **4** | 500 |  |  |  |
|  |  |  |  |  |
| **5** | 500 |  |  |  |

Question 1) What do you notice about the average revenue and marginal revenue figures in relation to the price charged for each output level?

Task 2: Plot a graph with output along the x axis and price/revenue along the Y axis. Plot the average revenue points, the price points and the marginal revenue points. Label this line D = AR = MR = P.

Task 3:

* Complete the table below which demonstrates a firm’s revenues in an imperfectly competitive market.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Output** | **Price Per Unit £s** | **Total Revenue £s** | **Average Revenue £s** | **Marginal Revenue £s** |
| **0** | 500 | 0 | 0 |  |
|  |  |  |  | 500 |
| **1** | 500 | 500 |  |  |
|  |  |  |  |  |
| **2** | 450 |  |  |  |
|  |  |  |  |  |
| **3** | 410 |  |  |  |
|  |  |  |  |  |
| **4** | 375 |  |  |  |
|  |  |  |  |  |
| **5** | 350 |  |  |  |

Question 2) Average revenue and price remain the same but marginal revenue is less than the average revenue. Why?

Task 4: Plot a graph with output along the x axis and price/revenue along the Y axis. Plot the marginal revenue points and the average revenue points. Label these lines MR and AR.