ECONOMICS

BOOKS - GOYAL BROTHERS PRAKASHAN ECONOMICS (HINGLISH)

REVENUE

Problem

1. From the table given below, calculate total revenue, average revenue and marginal revenue :

Units sold	3	4	5
Price (₹)	10	9	8

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2. From the table given below, calculate total revenue, average revenue

and marginal revenue :

Price(₹)	6	7	8
Units Sold	5	4	3

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3. Complete the following table :

Units of Output	Total Revenue (₹)	Average Revenue (₹)	Marginal Rev (₹)
1		10	
2		9	
3		9	

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Multiple Choice Questions

1. Revenue in microeconomics means :

A. Tax collected by government

B. Market value of output produced by a firm

C. Profits of a firm

D. None of the above

Answer: B

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2. Marginal revenue of (n-1) units is :

A. $TR_n - TR_{n-1}$

B. $TR_{n-1} - TR_n$

C. $TR_{n-1} - TR_{n-2}$

D. $TR_{n-2} - TR_{n-1}$

Answer: C

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3. Price and Average Revenue are :

A. Always same

B. Always different

C. sometimes same

D. Sometimes different

Answer: A

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4. When TR is maximum :

A. AR is maximum

B. MR is maximum

C. AR is zero

D. MR is zero

Answer: D

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5. If AR of 5 units of output is ₹ 20 and of 7 units is ₹ 18, MR of 7 units of output is :

   A. 26

   B. 13

   C. 2

   D. ₹ − 1

Answer: D

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6. When a firm faces perfectly elastic demand for its product, at all levels of output :

A. AR $>$ MR

B. AR = MR

C. AR $<$ MR

D. Any one of the above

Answer: B

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Short Answer Questions I

1. Define revenue. What is total revenue ?

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2. Distinguish between AR and MR.

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3. What happens to TR when MR is (a) positive and (b) negative ?

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4. What happens to AR, when (a) MR = AR and (b) MR $<$ AR

(c) MR $>$ AR ?

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5. Draw AR and MR curves when (a) more sale is possible only at a lower price and (b) more sale is possible at a given price.

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6. Revenue in microeconomics means :

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1. What is revenue ? Define TR, AR and MR.

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2. Explain the relation between TR and MR.

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3. Explain the relation between AR and MR.

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4. Explain the behaviour of AR and MR of a firm when more sale is possible at a given price. Use diagram.

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5. Prepare a schedule showing TR, AR and MR of a firm who can sell any quantity at a given price. Take at least four output levels.

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6. Prepare a schedule showing TR, AR and MR of a firm who can sell more only by lowering the price. Take at least four output levels.

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Numerical Questions

1. Calculate Price, AR and MR from the following :

Output (Units)	TR (₹)
1	10
2	18
3	24
4	28

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2. Find the Price, TR and MR from the following :

Output (Units)	AR (₹)
8	5
9	4
10	3
11	2
12	1

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3. Find the Price, AR and TR from the following :

Output (Units)	MR (₹)
1	10
2	8
3	6
4	4
5	2

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4. Calculate AR, MR and TR from the following :

Output (Units)	Price (₹)
6	10
7	9
8	8
9	7
10	6

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5. Complete the following table :

Price (₹)	Output (Units)	TR (₹)	AR (₹)	MR (₹)
5	—	50	—	—
—	—	—	6	−2
7	8	—	—	—
8	—	—	—	2
—	6	54	—	—

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Some Important Questions

1. Define marginal revenue.

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2. Define total revenue.

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3. Define average revenue.

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4. Define total revenue.

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5. What change should take place in total revenue so that

(a) marginal revenue is positive

(b) marginal revenue is falling ?

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6. Explain the relationship between total revenue and marginal revenue with the help of a revenue schedule.

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7. Complete the following table :

Output (Units)	Price (₹)	Total Revenue (₹)	Marginal Revenue (₹)
1	7	—	—
2	6	—	—
3	4	—	—
4	2	—	—

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8. Complete the following table :

Output (Units)	Price (₹)	Total Revenue (₹)	Marginal Revenue (₹)
1	—	14	—
2	—	24	—
3	—	24	—
4	—	16	—

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9. Complete the following table :

Output (Units)	Marginal Revenue (₹)	Total Revenue (₹)	Avera
1	10	—	—
2	8	—	—
3	0	—	—
4	−2	—	—

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10. What change in total revenue will result in

(i) decrease in marginal revenue and

(ii) an increase in marginal revenue ?

11. What will be the effect of the following changes in total revenue on marginal revenue ?

(i) Total revenue increases at a decreasing rate.

(ii) Total revenue increases at a constant rate.

12. Explain the relation between total revenue and marginal revenue.

13. Complete the following table :

Output (Units)	Average Revenue (₹)	Marginal Revenue (₹)	Tot
1	—	15	—
2	—	—	26
3	11	—	—
4	—	3	—

14. Complete the following table :

Price (₹)	Output (Units)	Total Revenue (₹)	Marginal Revenue (₹)
—	1	6	—
4	—	—	2
—	3	6	—
1	—	—	(−)2

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