ECONOMICS

BOOKS - SANDEEP GARG ECONOMICS (HINGLISH)

REVENUE

Example

1. Calculate Average Revenue (AR) and Marginal Revenue (MR) :

Units sold	1	2	3	4	5	6	7
TR (₹)	20	36	48	56	60	60	56

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2. Calculate TR and AR from the following data

:

Units sold	1	2	3	4	5	6	7
MR (₹)	14	10	7	5	0	−3	−5

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3. Calculate TR and MR from the following data

:

Units sold	1	2	3	4	5	6
AR (₹)	25	23	21	19	18	15

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4. Complete the following table :

Price (₹)	12	10	8	6
Output (units)	1	2	3	4
TR (₹)	—	—	—	—
MR (₹)	—	—	—	—

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5. Complete the following table :

Price (₹)	Output (Units)	TR (₹)	MR (₹)
—	1	6	—
4	—	—	2
—	3	6	—
1	—	—	−2

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6. Complete the following table :

Output (Units)	Price (₹)	MR (₹)	TR (₹)
1	—	16	—
2	12	—	24
3	—	6	—
4	7	—	28

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7. Complete the following table :

Units sold	1	2	3	4	5	6	7	8
TR (₹)	20	—	48	—	60	60	56	—
MR (₹)	20	—	—	8	—	0	—	−8
AR (₹)	—	18	—	14	12	—	8	6

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8. Complete the following table :

Output (units)	1	2	3	4
AR (₹)	—	—	11	—
MR (₹)	15	—	—	3
TR (₹)	—	26	—	—

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9. Complete the following table :

Output (units)	1	2	3	4
Price (₹)	—	9	—	—
TR (₹)	—	—	24	—
MR (₹)	10	—	—	4

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10. Calculate TR, MR and AR.

Price (₹)	4	5	6	7
Units sold	1	2	3	4

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11. Calculate TR, AR and MR :

Units sold	6	7	8
Price (₹)	5	4	3

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12. Calculate TR, AR and MR from the following data :

Units sold	3	4	5
Price (₹)	10	9	8

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13. Calculate TR, AR and MR from the following data :

Units sold	10	9	8	7	6	5	4
Price (₹)	1	2	3	4	5	6	7

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14. Complete the following table :

Price (₹)	10	11	12	13	14	15	16
Units sold	—	9	—	7	—	5	—
TR (₹)	100	—	96	—	84	—	64
MR (₹)	—	—	—	—	—	—	—

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15. Calculate TR, AR and MR from the following data :

Price (₹)	1	2	3	4	5	6	7
Units sold	100	90	80	70	60	50	40

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16. Complete the following table :

Output (Units)	Price (₹)	Total Revenue (₹)	Marginal Revenue (₹)
4	9	36	—
5	—	—	4
6	—	42	—
7	6	—	—
8	—	40	—

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17. Suppose, a book seller can sell 10 books at the price of ₹ 200 per book. His marginal revenue (MR) from the 11^{th} book is ₹ 255. At what price did he sell the 11^{th} book ?

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18. When output increases from 50 units to 70 units, TR increases from ₹ 4,000 to ₹ 5,000. Calculate MR.

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19. The total revenue of a firm increased by ₹ 5,400, when his sale increased from 35 units to 50 units. Calculated marginal revenue of the firm.

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20. The demand function of a commodity x is $Q_x = 12 - P_x$ (where Q_x = the quantity demanded of a commodity x and P_x = price of the commodity x). Derive the TR and MR

schedules when the price of commodity varies from ₹ 12 to ₹ 1.

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Higher Order Thinking Skills Questions

1. What changes will take place in MR, when : (i) TR increases at an increasing rate, (ii) TR increases at a diminishing rate, (iii) TR increases at a constant rate

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2. What changes should take place in total revenue so that : (i) Marginal revenue is positive and constant, and (ii) Marginal revenue is positive and falling.

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3. In a firm, AR = MR = ₹ 5 at each level of output. What does it tell about : (i) Nature of Demand Curve, (ii) Rate of increase in TR, and (iii) Shape of TR curve ?

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4. On the basis of given diagram, answer the following questions :

(i) Indicate, whether price will fall or remain same with rise in output.

(ii) What does the shaded are OPRQ indicate ?

(iii) What will be the nature of MR curve ?

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5. Why AR curve under monopolistic competition is more elastic than AR curve under monopoly ?

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6. Under what market condition does Average Revenue always equal Marginal Revenue ? Explain.

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True And False

1. Average revenue and marginal revenue curves slope downwards when more output can be sold by reducing the prices.

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2. AR and price are one and the same thing.

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3. In case of constant prices, average revenue is more than marginal revenue.

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4. Average revenue can become negative when price falls with rise in output.

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5. Total revenue curve is a positively sloped straight line when price remains same at all

levels of output.

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6. Marginal Revenue can never be negative.

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7. Total revenue curve always starts from the origin.

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8. Marginal revenue is zero when every additional unit is sold at the same price.

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9. Total revenue can be obtained by adding up revenue generated from every additional unit.

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10. Total revenue is at its maximum point when marginal revenue is zero.

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11. When marginal revenue is positive and constant, average and total revenue will both increase at constant rate.

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12. When total revenue is constant average revenue will also be constant.

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13. When marginal revenue falls to zero, average revenue becomes maximum.

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14. When marginal revenue is zero, average revenue will be constant.

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15. Marginal revenue is always the price at which last unit of a commodity is sold.

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16. When total revenue is maximum, marginal revenue is also maximum.

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17. TR starts declining when MR is less than zero.

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18. AR curve always remain above MR curve.

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19. When marginal revenue is constant and not equal to zero, then total revenue will also be constant.

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20. When total revenue is constant, average revenue falls.

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21. Total Revenue increases with every increase in output.

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22. Marginal Revenue can never be zero.

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23. When MR is falling but positive, TR will also be falling and positive.

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Guidelines To Ncert Questions

1. How are the total revenue of a firm, market price, and the quantitiy sold by the firm related ro each other ?

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2. What is the 'price line' ?

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3. Why is the total revenue curve of a price-taking firm an upward-sloping straight line ? Why does the curve pass through the origin ?

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4. What is the relation between market price and average revenue of a price-taking firm ?

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5. What is the relation between market price and marginal revenue of a price-taking firm ?

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6. Compute the total revenue, marginal revenue and average revenue schedules in the following table.

Market price of each unit of the good is ₹ 10.

Quantity sold	TR	MR	AR
1	—	—	—
2	—	—	—
3	—	—	—
4	—	—	—
5	—	—	—
6	—	—	—

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7. What would be shape of demand curve, so that TR curve is : (a) a positively sloped

straight line passing through the origin, (b) a horizontal line ?

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8. Comment on the shape of the MR curve in case the TR curve is a (i) positively sloped straight line, (ii) horizontal straight line.

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Multiple Choice Questions

1. If average revenue curve is a horizontal straight line, then marginal revenue curve will be :

A. Downward sloping

B. Horizontal straight line

C. Upward Sloping

D. Inversely S-shaped

Answer: b

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2. AR curve is downward sloping when:

A. Price falls with rise in output

B. Price initially rises at an increasing rate, then at a diminishing rate

C. Price remains same at all levels of output

D. None of these

Answer: a

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3. When MR remains same, TR increases at a:

A. Constant rate

B. Decreasing rate

C. Increasing rate

D. None of these

Answer: a

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4. When price remains same with rise in output, AR curve is :

A. Vertical straight line parallel to Y-axis

B. Horizontal straight line parallel to X-axis

C. Downward sloping

D. Positively sloped

Answer: b

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5. When price falls with rise in output, TR is _____ when MR is zero.

A. Maximum

B. Minimum

C. Zero

D. None of these

Answer: a

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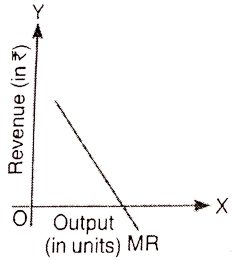
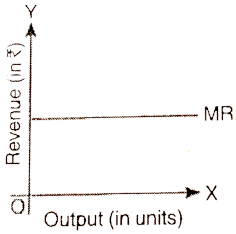
6. Identify the correct MR curve from the following options when price remains same with ris in output :

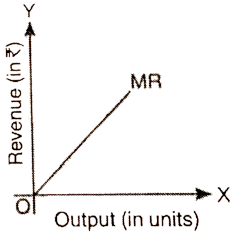
A.

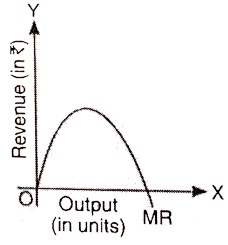


B.



C.



D. 

Answer: b

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7. When price falls with rise in output, then :

A. MR curve is steeper than AR curve

B. AR curve is steeper than MR curve

C. MR and AR curves coincide in a horizontal straight line parallel to the X-axis

D. None of these

Answer: a

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8. (i) TR= $\sum$ MR, and (ii) TC = $\sum$ MC. Tick the correct option

A. Both (i) and (ii) are correct

B. Only (ii) is incorrect

C. Only (i) is correct

D. Both are incorrect

Answer: c

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9. A balloon seller has decided that we will sell all his balloons at a fixed price of ₹ 10 each. In such a case, TR curve will be :

A. Horizontal straight line parallel to the X-axis

B. Vertical straight line parallel to the Y-axis

C. Positively sloped straight line passing from the otigin

D. Downward sloping straight line

Answer: c

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10. What happens to TR when MR is positive ?

A. TR increases

B. TR decreases

C. TR is Maximum

D. TR remains same

Answer: a

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11. When total revenue is constant, what will be the effect on average revenue ?

A. AR will fall

B. AR will increase

C. AR will also be constant

D. No effect on AR

Answer: a

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12. If TR curve is a horizontal straight line parallel to the X-axis, then MR curve will:

A. Coincide with X-axis

B. Slope downwards

C. Slope upwards

D. horizontal straight line parallel to the X-axis

Answer: a

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13. When the rate of fall in MR is more than fall in AR :

A. Price increases with increase in output

B. Price decreases with incerease in output

C. Price remains constant with increase in output

D. None of these

Answer: b

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14. If a firm's total revenue curve takes the form of a straight line which passess through the origin, then:

A. Price $>$ Marginal Revenue

B. Price = Marginal Revenue

C. Price $<$ Marginal Revenue

D. None of these

Answer: b

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15. At any given level of a firm's output, marginal revenue is the revenue earned by selling :

A. Entire output

B. Additional unit of output

C. Both (a) and (b)

D. Neither (a) nor (b)

Answer: b

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16. Marginal revenue refers to :

A. Addition to total revenue when one more unit of output is produced.

B. Addition to total revenue when one more unit of output is sold.

C. Addition to total revenue when one more unit of variable factor is employed.

D. None of these

Answer: b

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17. At a price of ₹ 20, 15 units are sold and at price of ₹ 19, 16 units are sold. Based on this information, what is the marginal revenue resulting from an increase in output from 15 units to 16 units ?

A. ₹ 6

B. ₹ 4

C. ₹ 5

D. ₹ 300

Answer: b

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18. If TR = Total Revenue and Q = Quantity sold, then TR ÷ Q refers to :

A. Zero Revenue

B. Average Revenue

C. Marginal Revenue

D. None of these

Answer: b

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19. If total revenues is ₹ 1,00,000 when 20,000 units are sold, then average revenue is equal to :

A. ₹ 1,00,000

B. ₹ 20,000

C. ₹ 5

D. ₹ 1,20,000

Answer: c

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20. If a seller gets ₹ 10,000 by selling 100 units and ₹ 14,000 by selling 120 units, his Marginal Revenue is

A. ₹ 4,000

B. ₹ 450

C. ₹ 200

D. ₹ 100

Answer: c

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21. When price falls with rise in output, then as quantity sold increases :

A. MR falls quickly than AR

B. MR falls slowly than AR

C. Both MR and AR fall at the same rate

D. MR and AR do not change

Answer: a

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22. When 5 units of a good is sold, total revenue is ₹ 100. When 6 units are sold,

marginal revenue is ₹ 8. At what price are 6 units sold ? (Choose the correct alternative)

A. ₹ 28 per unit

B. ₹ 20 per unit

C. ₹ 18 per unit

D. ₹ 12 per unit

Answer: c

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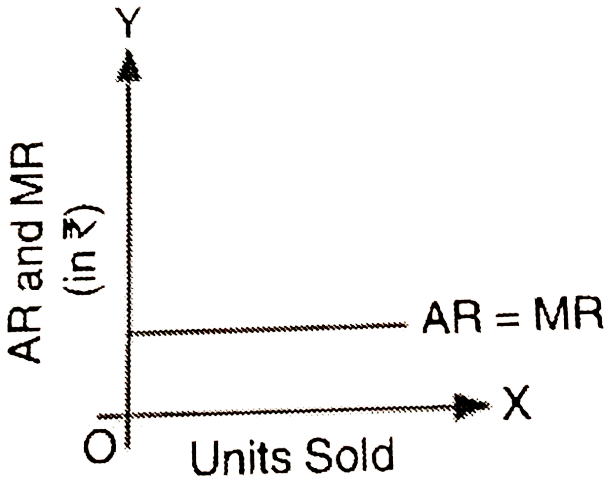
23. The relationship between AR and MR depicted in the following diagram is possible when :



A. Price remains constant with rise in output

B. Price falls with rise in output

C. Price initially falls and then remains constant with rise in output

D. None of these

Answer: a

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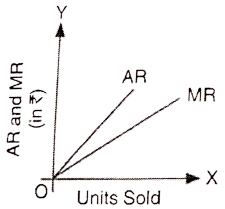
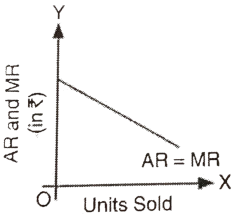
24. Which of the following diagram correctly depicts the relation between AR and MR when price falls with rise in output ?

A.



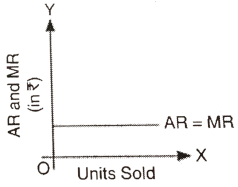
(a)

B.



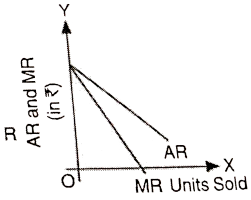
(b)

C.



(c)

D.



(d)

Answer: d

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25. Suppose total revenue is rising at a constant rate as more and more units of a commodity are sold, marginal revenue would be :

A. Greater than Average Revenue

B. Equal to Average Revenue

C. Less than Average Revenue

D. Rising

Answer: b

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26. A firm is able to sell any quantity of a good at a given price. The firm's marginal revenue will be :

A. Greater than Average Revenue

B. Less than Average Revenue

C. Equal to Average Revenue

D. Zero

Answer: c

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27. A firm is able to sell more quantity of a good only by lowering the price. The firm's marginal revenue, as he goes on selling, would be :

A. Greater than Average Revenue

B. Less than Average Revenue

C. Equal to Average Revenue

D. Zero

Answer: b

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28. Average revenue equals : (Choose the correct alternative)

A. Total revenue divided by the quantity produced

B. Price

C. Both (a) and (b)

D. None of the above

Answer: c

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29. Let TR be total revenue, Q be quantity of output, and 'n' the number of units, then marginal revenue equals : (choose the correct alternative)

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

B. $\frac{\text{Change in TR}}{\text{Change in Q}}$ only

C. Both (a) and (b)

D. None of the above

Answer: c

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Very Short Answer Type Questions

1. Give the meaning of revenue

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2. Define total revenue

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3. Define average revenue.

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4. Define marginal revenue.

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5. How is MR derived from TR ?

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6. If all the units are sold at the same rate, how will it affect AR and MR ?

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7. What is the relationship between price curve and MR curve, when price remains same at all output levels ?

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8. What are the shapes of AR and MR curves, when each unit is sold at the same price ?

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9. Can MR be zero or negative ?

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10. What will be the shape of MR curve when TR increases at constant rate ?

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11. Can the average revenue curve lie in the negative axis ?

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12. What is the behaviour of Average Revenue in a market in which a firm can sell any quantity of good at a given price ?

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13. If MR curve is parallel to the X-axis, what does it tell about price and the demand ?

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14. Out of the three concepts of revenue, which one is also known as price ?

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15. What is the shape of TR curve, when price remains same at all output levels ?

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16. How does TR change with output when MR is negative ?

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17. What happens to TR when MR is positive ?

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18. How does TR react when MR is zero ?

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19. Comment on the shape of the MR curve in case the TR curve is horizontal straight line.

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20. What is the behaviour of average revenue in a market in which a firm can sell more only by lowering the price ?

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21. What is the behaviour of Marginal Revenue in a market in which a firm can sell any quantity of the output it produces at a given price ?

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Short Answer Type Questions

1. Explain the relation between marginal revenue and average revenue when a firm is

able to sell more quantity of output : (i) at the same price. (ii) only by lowering the price.

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

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3. What change in total revenue will result in (i) a decrease in marginal revenue, and (ii) an increase in marginal revenue ?

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4. How do changes in marginal revenue affect total revenue ?

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5. What is revenue of a firm ? Give meaning of average revenue and marginal revenuel. What happens to average revenue when marginal revenues is : (i) Greater than average revenue, (ii) Equal to average revenue , (iii) Less than average revenue ?

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6. Draw in a single diagram the average revenue and marginal revenue curves of a firm

which can sell any quantity of the good at a given price. Explain.

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7. What is revenue ? Explain the relation between marginal revenue and average revenue.

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8. State the relation between marginal revenue and average revenue.

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9. Why is Average Revenue always equal to price ?

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Long Answer Type Questions

1. Explain the relationship between total revenue and marginal revenue with the help of a diagram.

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2. Discuss the relationship between AR and MR when: (i) Price remains constant. (ii) Price falls with rise in output.

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3. Briefly discuss the shapes of TR, AR and MR curves with the help of an imaginary schedule and diagram (when price remians same).

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4. What is revenue in microeconomics ? State the relation between marginal revenue and average revenue under perfect competition using suitable diagram or schedule.

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Unsolved Practicals

1. Calculate TR, AR and MR.

Units sold	1	2	3	4
Price (₹)	5	4	3	2

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2. Determine the values of TR, AR and MR from the following data :

Price (₹)	100	95	90	85	80
Sales (units)	1	2	3	4	5

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3. Compute TR, AR and MR.

Unit sold	3	4	5
Price (₹)	10	9	8

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4. With the help of the given data, calculate the values of TR, AR and MR.

Price (₹)	10	20	30	40	50	60	70
Units sold	7	6	5	4	3	2	1

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5. From the following data, determine TR, AR and MR.

Units sold	10	9	8	7	6	5	4
Price (₹)	10	20	30	40	50	60	70

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6. Determine AR and MR.

Units sold	1	2	3	4	5	6	7
TR (₹)	20	36	48	56	60	60	56

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7. Estimate the values of TR and MR.

Units sold	1	2	3
AR (₹)	10	9	9

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8. Calculate TR and MR from the following data

:

Units sold	1	2	3	4	5	6
AR (₹)	25	23	21	19	18	15

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9. Complete the following table :

Units sold	1	2	3	4	5	6	7	8
TR (₹)	10	—	24	—	30	30	28	—
MR (₹)	10	—	—	4	—	0	—	-4
AR (₹)	—	9	—	7	6	—	4	3

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10. Complete the following table :

Units sold	4	5	6	7
TR (₹)	48	—	—	42
AR (₹)	—	10	—	—
MR (₹)	—	—	-2	—

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11. Complete the following table :

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

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12. Calculate TR and AR.

Units sold	1	2	3	4	5	6	7
MR (₹)	10	8	6	4	2	0	−2

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13. Complete the following table :

Output (units)	1	2	3	4	5
AR (₹)	6	—	4	—	2
MR (₹)	—	4	—	0	—
TR (₹)	6	—	—	—	10

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14. From the information given below, calculate the values of TR and MR.

Price (₹)	10	20	30	40	50	60	70
Units sold	7	6	5	4	3	2	1

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15. Complete the following table :

Price (₹)	Output (Units)	Total Revenue (₹)	Marginal Revenue (₹)
—	1	—	5
4	—	8	—
—	3	—	1
2	—	8	—

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16. The MR schedule of a monopoly firm is given below. Derive the TR and AR schedules.

Output (units)	0	1	2	3	4	5	6	7
MR (₹)	—	14	10	7	5	0	–3	–5

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17. Complete the following table :

Price (₹)	Output (Units)	Total Revenue (₹)	Marginal Revenue (₹)
5	8	—	—
6	7	—	—
7	6	—	—
8	5	—	—

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18. Complete the following table :

Output (units)	1	2	3	4	5
AR (₹)	10	—	8	—	—
MR (₹)	10	8	—	0	—
TR (₹)	10	—	—	—	20

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19. Complete the following table :

Price (₹)	Output (Units)	Total Revenue (₹)	Marginal Revenue (₹)
7	—	7	—
—	2	10	—
—	3	—	–1
1	—	—	–5

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20. A shopkeeper sold 25 calculators at the price of ₹ 125 each. His total receipts increased to ₹ 3,380 after selling 26 calculators. At what price did he sell the 26^{th} calculator ?

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21. When sale of a unit increased from 20 unit to 35 units, the total revenue increased by ₹ 1,200. Calculate marginal revenue.

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