CONCEPT: REVENUE IN PERFECT COMPETITION

● ***Revenue*** is the money coming into the firm from sales: ______________________________

□ Revenues are the __________________ to the firm

<table>
<tr><th>Average Revenue</th><th>Marginal Revenue</th></tr>
<tr><td>$$AR = \frac{TR}{Q} =$$</td><td>$$MR = \frac{\Delta TR}{\Delta Q}$$</td></tr>
<tr><td>$$Average\ Revenue = \underline{\hspace{3cm}}$$
$$Average\ Revenue = Demand\ Curve$$
True for ____________________</td><td>In perfect competition, price is fixed (set by market):
$\Delta Q = 1$ → Sell one more unit for ______ → $\Delta TR =$ ____
$$Marginal\ Revenue = \underline{\hspace{3cm}}$$
True for ____________________</td></tr>
<tr><td colspan="2">In perfect competition:
$$AR = MR = P$$</td></tr>
</table>

EXAMPLE: Numerical example showing constant marginal revenue in perfect competition

Market Price per Bushel of Wheat = $4

Quantity (Q)	Total Revenue (TR)	Total Cost (TC)	Profit	Marginal Revenue	Marginal Cost	Change in Profit
0		$2.50				
1		$4.50				
2		$7.00				
3		$10.00				
4		$13.50				
5		$18.00				
6		$24.00				