Revenue

This is the amount which a producer receive after selling the product at market price.

Total Revenue

$= TR = P \times Q$ where $P =$ price per unit
$Q =$ output sold

Average Revenue $(AR) = \dfrac{TR}{\text{output sold}}$

$$= \frac{P \times Q}{Q} = P$$

$\boxed{AR = P}$ P is also known as AR.

Marginal Revenue $= \dfrac{\text{Change in total revenue}}{\text{change in no. of units of output sold}}$

Marginal Revenue (MR) is the net revenue earned by selling an additional unit of the product.

~~Price -~~
~~Unit — Price — T.R. — MR.~~

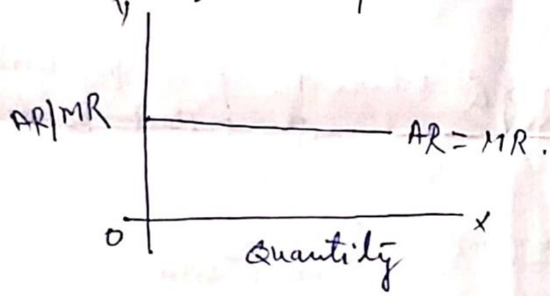
If a producer sells 10 units of a product at price ₹15 per unit, he will get ₹150 as total revenue. If he now increases his sales of the product by one unit and sells 11 units, suppose the price falls to ₹ 14 per unit. He will therefore obtain total revenue of ₹ 154. Hence ₹ 4 is the MR.

This can be illustrated by a diagramme.

The shape of AR and MR depends on the market conditions.

In perfect competition

(*) There is single price in the market.



In monopolistic competition / Imperfect competition

(*) Price differentiation due to product differentiatio