ECONOMICS

Revenue is the income generated from the sale of goods and services in a market

Average Revenue (AR) = price per unit = total revenue / output

The AR curve is the same as the demand curve

Marginal Revenue (MR) = the change in revenue from selling one extra unit of output

Total Revenue (TR) = Price per unit x quantity

The table below shows the demand for a product where there is a downward sloping demand curve.

Price per unit (Average Revenue)	**Quantity Demanded (Qd)**	**Total Revenue (TR) (PxQ)**	**Marginal Revenue (MR)**
£s	units	£s	£s
340	460	156400	n/a
310	580	179800	195
280	700	196000	135
250	820	205000	75
220	940	206800	15
190	1060	201400	-45

Average and Marginal Revenue

- In the table above, as price per unit falls, demand expands and total revenue rises although because average revenue falls as more units are sold, this causes marginal revenue to decline

- Eventually marginal revenue becomes negative, i.e. a further fall in price (e.g. from £220 to £190) causes total revenue to fall.