

National Institute of Open Schooling
Senior Secondary - Economics(318)
Lesson 23: Revenue and Profit Maximization of a Competitive Firm
Work Sheet - 23

1. Collect data of firms related to sales volume of 10 units of a commodity at Rs.10 per unit. On the basis of the information, make a schedule to show total revenue marginal revenue and average revenue of the firm.
2. Refer Q1, draw the TR, MR and AR curve and discuss the nature of the curves.
3. Taking information from Q.1, Explain the relationship between AR and MR curve.
4. Calculate A.R. and M.R. for the 6th unit of output from schedule in Q 1 and also show that A.R. is equal to price of a commodity, (A.R. = Price).
5. A firm is providing data regarding total sales volume 10 units of a commodity at Rs.10 per unit. The cost of production of 1 unit Rs 20. Prepare a schedule of total revenue and total cost of the firm.
6. On the basis of Q 5, explain TR and TC approach to maximise profit of the firm. Also mention breakeven point and profit maximization condition of the firm. Use a diagram.
7. Calculate MR and MC from the schedule prepared in question number 5.
8. Tracking schedule from Q5, explain the MR and MC approach to show the equilibrium of the firm to maximize profit. Use diagrams for explanation.
9. Refer Q.7, see the diagram and answer how a firm can maximize profit where the gap between TR & TC is maximum.
10. Refer question 8 and interpret the following situation of a firm:
 - a) $MR > MC$
 - b) $MR = MC$
 - c) $MR < MC$