





AQA Economics AS-level **Microeconomics**

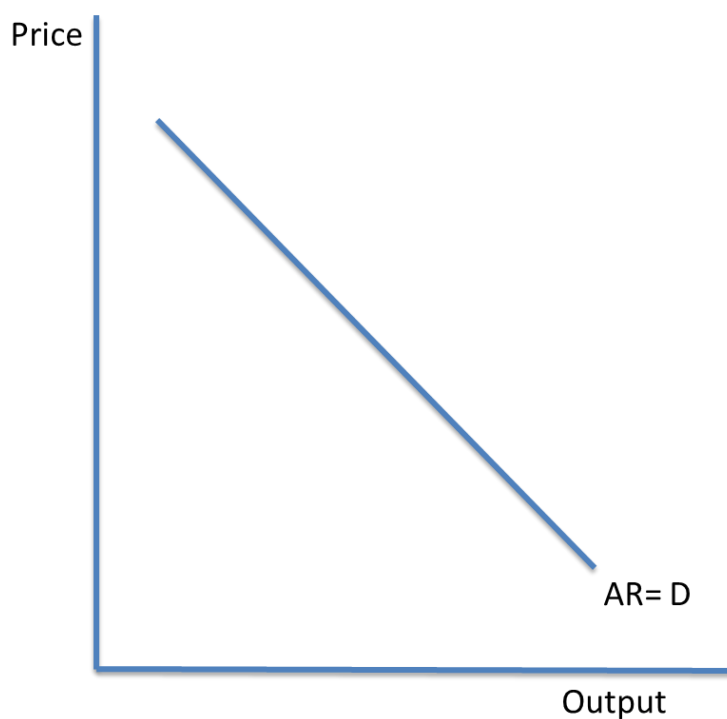
Topic 3: Production Costs and Revenues


3.5 Average revenue, total revenue and profit

Notes



-  Total revenue (TR) is calculated by **price times quantity sold**. This is the revenue received from the sale of a given level of output.
-  Average revenue (AR) is the average receipt per unit. This is calculated by **TR / quantity sold**. In other words, this is the price each unit is sold for.
-  The AR curve is the firm's demand curve. This is because the average revenue curve is the price of the good.
-  In markets where firms are **price takers**, the AR curve is horizontal. This shows the perfectly elastic demand for their goods.



-  Profit is the difference between TR and total costs. It is the reward entrepreneurs receive from taking risks.

