

Chapters →

Unit →

Revenue

Production

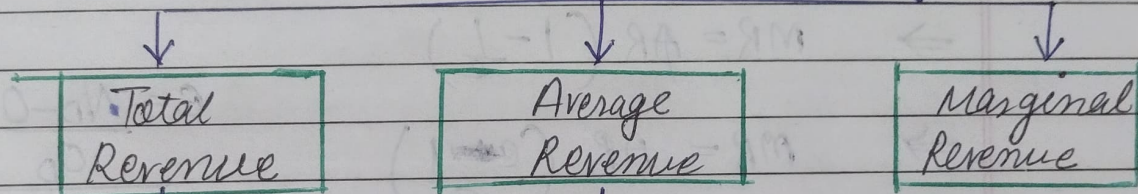
Qty

Cost

Cost of Prodⁿ

Revenue

Selling Prices / Sales.



$$TR = \cdot P \times Q$$

$$AR = \cdot \frac{TR}{Q}$$

$$MR = \cdot TR_n - TR_{n-1}$$

$$MR = \cdot \frac{\Delta TR}{\Delta Q}$$

$$AR = \cdot P$$

Formulae:-

$$MR = AR \left(\frac{e-1}{e} \right)$$

* MR = Marginal Revenue

* AR = Avg Revenue

* e = elasticity.

$$\rightarrow TR = P \times Q$$

$$\Rightarrow TR_n = (P - \Delta P)(Q + \Delta Q)$$

$$\Rightarrow = P(Q + \Delta Q) - \Delta P(Q + \Delta Q)$$

$$\Rightarrow = PQ + P\Delta Q - \Delta PQ - \Delta P\Delta Q$$

$$\Rightarrow TR_n - TR = \cancel{PQ} + P\Delta Q - \Delta PQ - \Delta P\Delta Q - \cancel{PQ}$$

↓
Ignored as it is negligible

$$\Rightarrow \Delta TR = P\Delta Q - \Delta PQ$$

→ Divide both sides by ΔQ we get

$$\Rightarrow \frac{\Delta TR}{\Delta Q} = \frac{P \Delta Q}{\Delta Q} - \frac{\Delta P Q}{\Delta Q}$$

$$\Rightarrow MR = P - \frac{\Delta P Q}{\Delta Q}$$

$$\Rightarrow MR = P \left(1 - \frac{\Delta P Q}{P \Delta Q} \right)$$

$$\Rightarrow MR = AR \left(1 - \frac{\Delta P Q}{P \Delta Q} \right)$$

$$\Rightarrow MR = AR \left(1 - \frac{1}{e} \right)$$

$$\Rightarrow MR = AR \left(\frac{e-1}{e} \right)$$

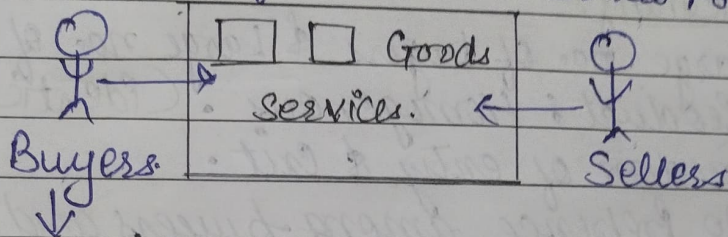
$$e = \frac{N_D - O_D}{O_D}$$

$$\Rightarrow \frac{N_P - O_P}{O_P}$$

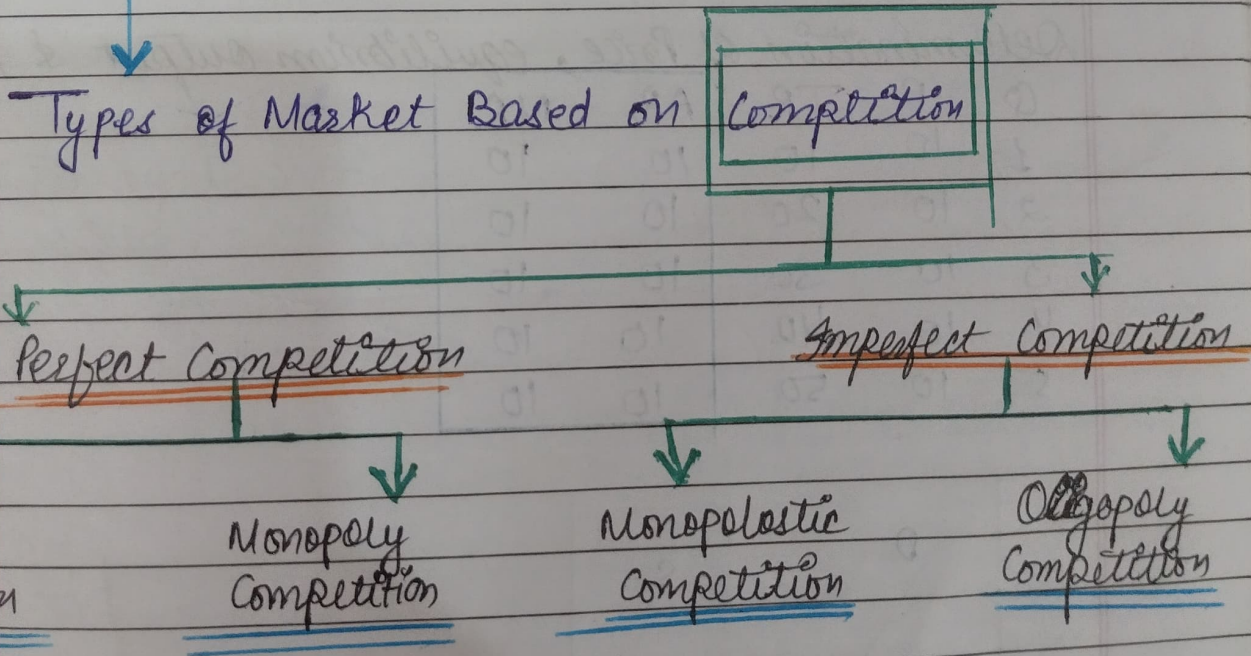
$$\frac{\Delta Q}{Q} \bigg/ \frac{\Delta P}{P} \Rightarrow \frac{\Delta Q}{Q} \times \frac{P}{\Delta P}$$

$$e = \frac{P \Delta Q}{\Delta P Q}$$

Market :- It is a place where Buyer & Seller exchange goods & services for a price.

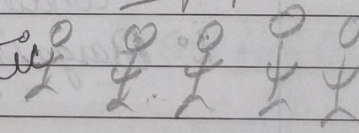


- 1. Knowledge about market condition
- 2. Bargaining Power.



→ Perfect Competition also called Pure Competition

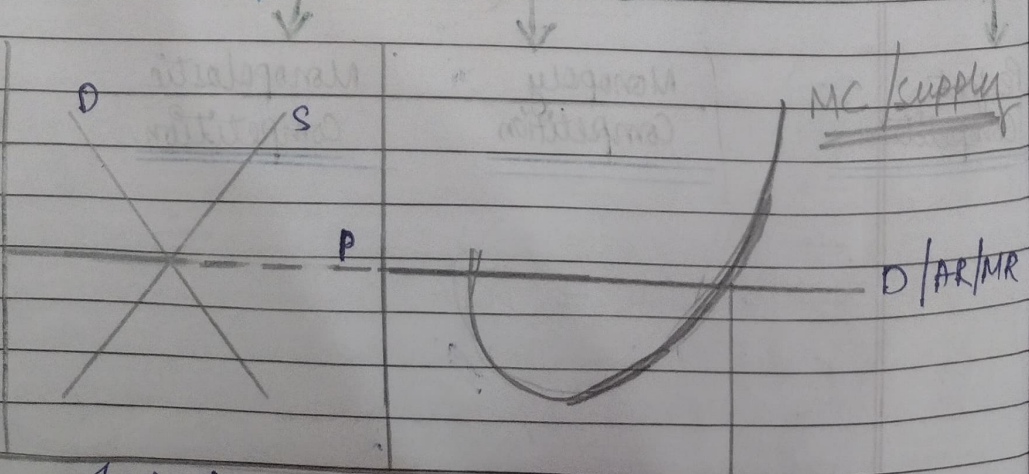
Meaning:-

- ① Large no. of buyers & Large no. of sellers.
 - ② Product: Homogeneous. (Identical same)
 - ③ Freedom of entry & exit.
 - ④ No preference among buyers and sellers.
 - ⑤ No individual buyer/seller can influence price
 - ⑥ Industry: Price Maker
 - ⑦ Firm: Price Taker
 - ⑧ Elasticity: ∞ Perfectly elastic
- $\frac{1}{\Delta Q} \div \frac{1}{\Delta P} = \Delta P + \text{slight}$
- SP PC


Determination of Price, equilibrium output & Profit

Q	P	TR	AR	MR
1	10	10	10	10
2	10	20	10	10
3	10	30	10	10
4	10	40	10	10
5	10	50	10	10

The slope of MC curve = Supply Curve



Industry
Price Maker

Firm
Price taker

mpetition

e)

Price

Profit

MC supply curve

MC/supply

D/AR/MR

eg: Existing 600 + (face to face)

Revenue Cost

(+) Online live

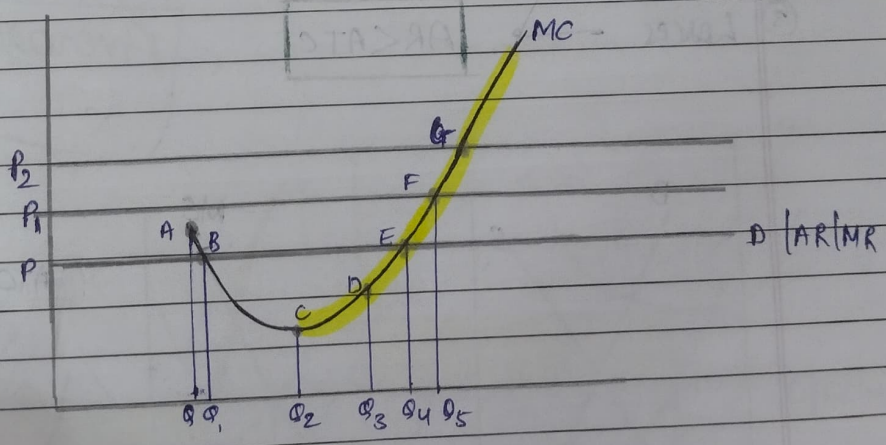
Marginal Cost Marginal Revenue

200000

100000

200000

300000



Condition of Equilibrium output

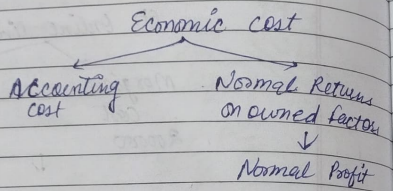
a) $MR = MC$

(b) MC curve should cut MR curve from below.

bcz jabar apna Additional revenue ke se
 na khatam hoga additional cost ut inhar
 make kam se kam utna. Additional Revenue
 ke jisse miltana chahie

Determination of Profit, Super Normal Profit, Losses

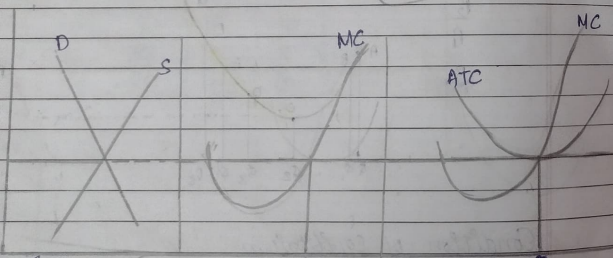
① Normal Profit → $AR = ATC$



② Super Normal Profit → $AR > ATC$

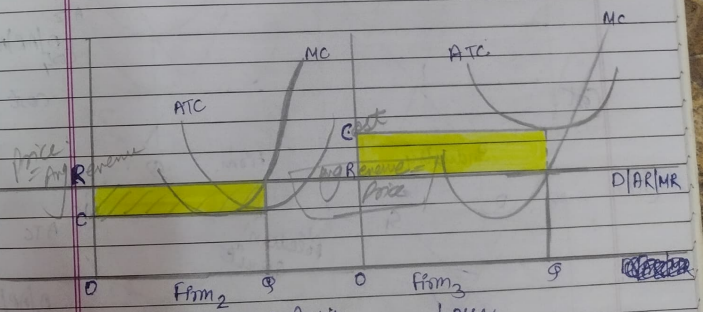
③ Losses → $AR < ATC$

Average Revenue = Price



Industry Firm 1 Firm 2
 Normal Profit
 $AR = ATC$

Short Run ✓
 Long Run ✓



Firm 2 Firm 3
 Super normal Profit
 $AR > ATC$
 $OR > OC$
 Losses
 AR
 Freedom of entry
 Freedom of exit

ex → Railways.

we are not talking about necessities.

Monopoly

Mono → single Poly → seller.

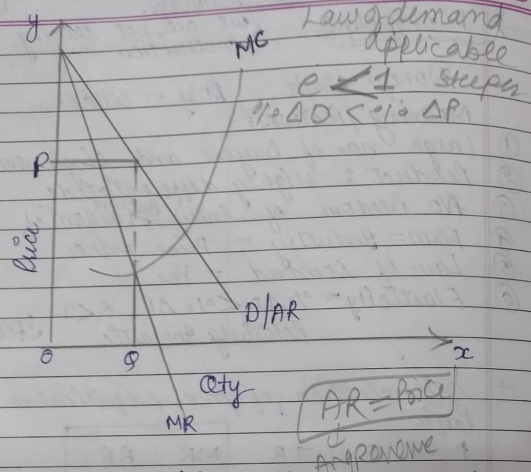
Meaning / Features:-

- ① Large no. of buyers and single seller.
- ② Product: highly differentiated.
- ③ No freedom of entry ^{but there} freedom of exist
- ④ Firm = Industry = Price maker
- ⑤ Law of Demand = Yes
- ⑥ Elasticity = $\% \Delta D < \% \Delta P$ $e < 1$
Relatively Inelastic Steeper.

→ Determination of Price, equilibrium output & Profit.

P	Q	TR	MR	AR
10	1	10	10	10
9.5	2	19	9	9.5
9	3	27	8	9
8.5	4	34	7	8.5
8	5	40	6	8
7.5	6	45	5	7.5
7	7	49	4	7
6.5	8	52	3	6.5
6	9	54	2	6
5.5	10	55	1	5.5
5	11	55	0	5
4.5	12	54	-1	4.5
4	13	52	-2	4

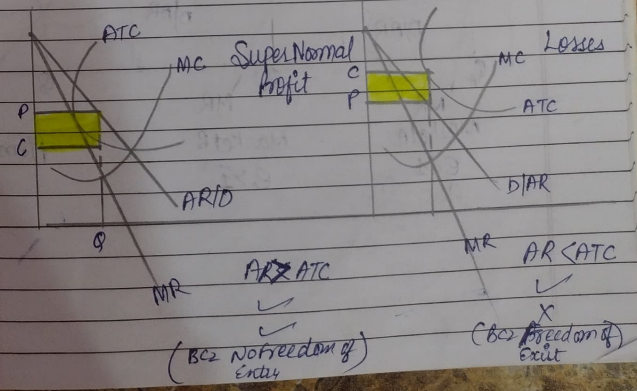
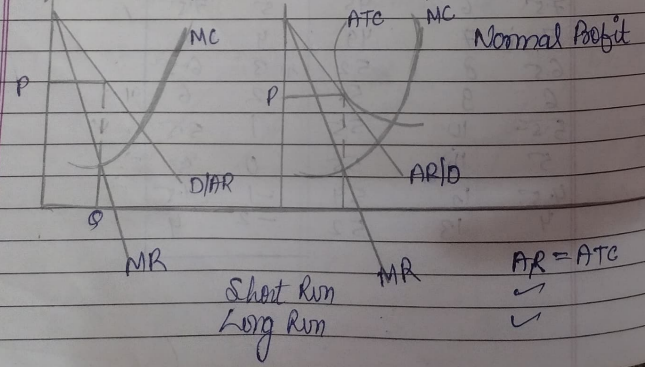
Not talking about necessities
 e.g. → Railways



Condition for Equilibrium

- a) $MR = MC$
- b) MC curve should cut MR Curve from Below

Determination of Normal Profit, Supernormal Profit, Losses



ex → Phone → iPhone
 oppo
 realme

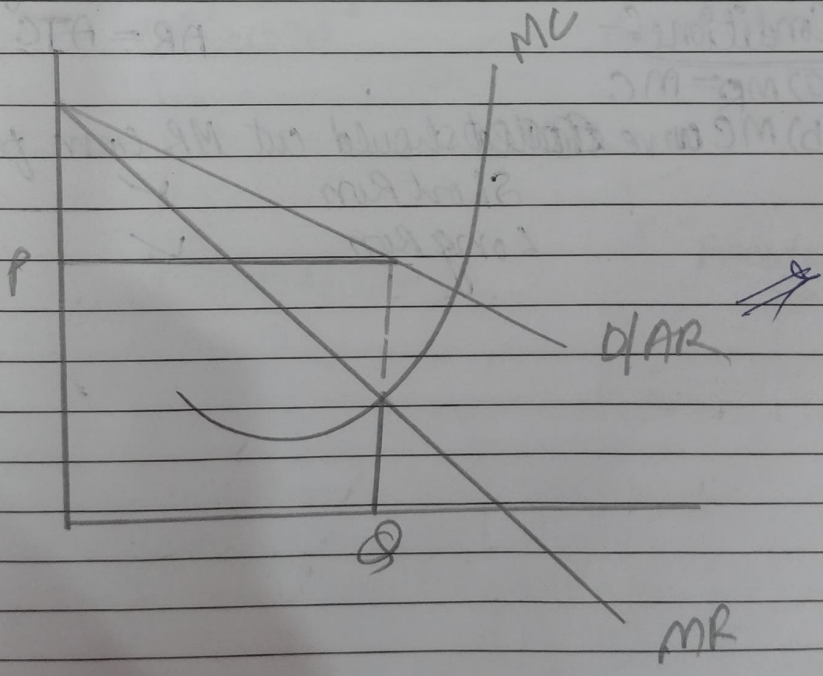
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→ Some Monopoly feel

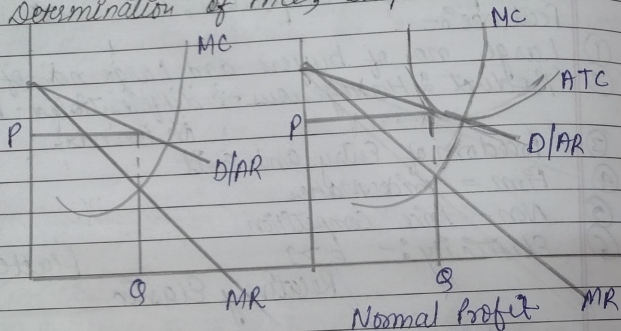
Monopolistic Competition :-

Features :-

- ① Large no. of buyers and large no. of sellers
- ② Product : Homogenous → differentiated Based on Brands.
- ③ Freedom of Entry and Exit
- ④ Firm = Price Maker
- ⑤ Non-Price Competition (advertisement, marketing)
- ⑥ Elasticity :- $e > 1$ flatter
 Relatively Elastic



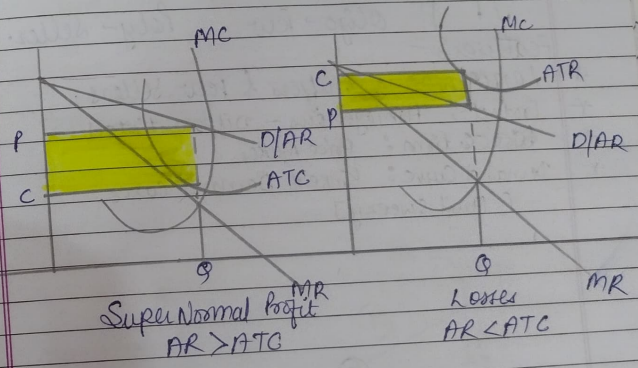
→ Determination of Price, output & Profit.



Normal Profit
 $AR = ATC$

Conditions:-

- a) $MR = MC$
- b) MC curve should cut MR curve from below.
 - Short Run ✓
 - Long Run ✓



Super Normal Profit
 $AR > ATC$

Losses
 $AR < ATC$

✓
X
Freedom of Entry

✓
X
Freedom of Exit

eg → powder

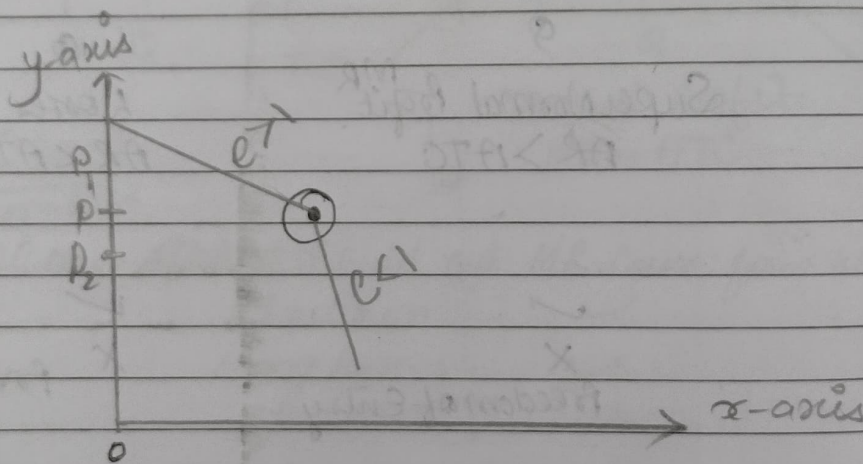
Oligopoly :-

oligo → few

Poly → seller.

Features :-

- * Large No. of buyers & few sellers.
- * Product : Homogenous - Differentiated
- * ~~Price~~ firm : Price maker
- * Demand Curve : Kinked Demand Curve
[Paul Sweezy]



Types :-

Open & Closed Oligopoly

Open - freedom of entry ✓

Closed - freedom of entry ✗

Homogenous & differentiated

Homogenous - Same Product

Differentiated - diffⁿ Product

Organised & Syndicated

मिशनरी सेल

co channel के माध्यम से sale

होती

Pure/Perfect or differentiated/Imperfect

Collusive or Competitive.
जिनके Price decide करेगा
दू तैरा में सेरा

Partial or Full
Leader होता है
hai absence of such
leader

Characteristics

- ° Interdependence
- ° Advertising & selling cost
- ° Group behaviour

Delhi ka Market = Mumbai ka Market e.g. Railways mai Age ke acc prices

⇒ Price Determination: Charging different prices for different markets for reasons not associated with cost (cost same hai).

- e.g.:-
- Age
 - Sex - Male, female
 - Income
 - Time
 - Geographical Location

Conditions:-

- Existence of 2 or more market
- Diffⁿ elasticity in Diffⁿ market (e.g. poor, rich iPhone, Rich sis)
- NO possibility of Resale.

