

Revenue

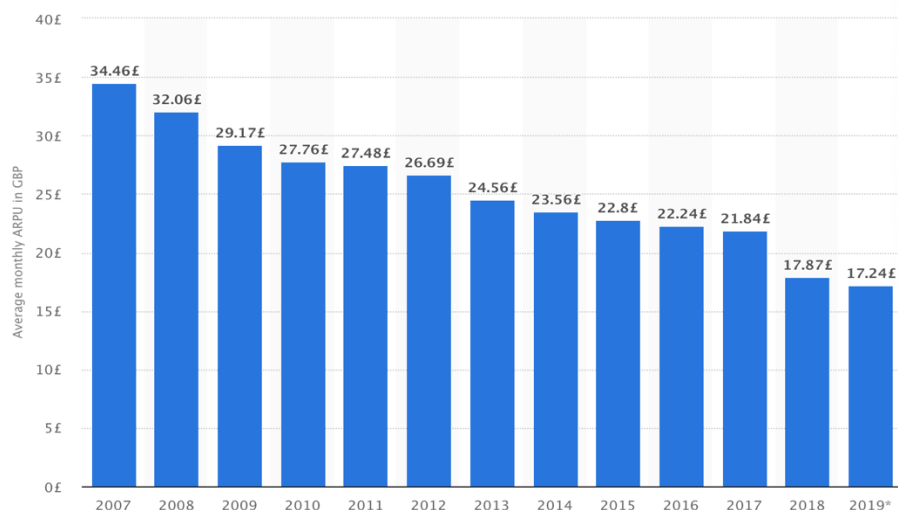
Define the following terms and note down the formula:

Key Term	Definition	Formula
Total Revenue		
Marginal Revenue		
Average Revenue		

Make notes on the following points:

What is a price taking business?	
What is meant by revenue maximisation?	
Explain the term synergy and give an example	





Thinking task: can you think of possible reasons for the trend shown in revenue?

Average monthly retail revenue per (post-paid) subscriber in the United Kingdom – source Statista 2020

Outline the features of:

A perfect market	An imperfect market

Complete the calculations

Price per unit (= Average Revenue)	Demand (units)	Total Revenue (AR x Quantity)	Marginal Revenue (change in total revenue ÷ change in quantity)
£20	200		
£18	250		
£16	300		
£14	350		
£12	400		
£10	450		
£8	500		



Let's sketch:

Given the data, sketch the AR and MR curves on the same set of axes. Remember to label the axes and the curves accurately!



Explain how and why price elasticity of demand varies along a straight-line demand curve:



Why might a firm choose to maximise revenue?

In the space below, draw a cost and revenue diagram showing i) the revenue maximising level of output ii) the price charged for this level of output and iii) the supernormal profit earned when a firm chooses to maximise its revenue:



Briefly outline how these tech companies earn revenue

Apple	
Google	
Alphabet	
Microsoft	

What evidence can you see for seasonality in Facebook's advertising revenue?

Seasonal revenues

What does seasonality mean?	
Can you list some examples of firms that are reliant on seasonality to earn revenue?	

Extension task: Can you prioritise your list above and justify your decision making?



Revenue in competitive markets:

Tell me why:

A firm in a perfectly competitive market faces a perfectly elastic demand curve:

Draw the following diagrams:

Average revenue and marginal revenue for a price-taking firm	Total revenue for a price-taking firm



TR when there is a rise in market price

Explain what happens to the total revenue curve of the perfectly competitive firm when market demand increases?	
Thinking task: Can you explain possible reasons for this increase in demand?	

Revenue: thinking activity

Read the short extract and then answer the question.

Writing in 2017, the Economist reported on Qualcomm, a chip design firm. A name unknown to many, Qualcomm provides the chips that manage a device's wireless connection. Most people with mobile phones use its technology. Apple, one of Qualcomm's biggest customers has alleged monopoly abuse and legal battles are multiplying.

Source

<https://www.economist.com/business/2017/01/28/qualcomm-is-again-under-attack-for-living-large-off-its-patent-portfolio>

On a separate piece of paper, answer the following question:

Explain the strategies a firm with price-making power might use to increase revenue.

