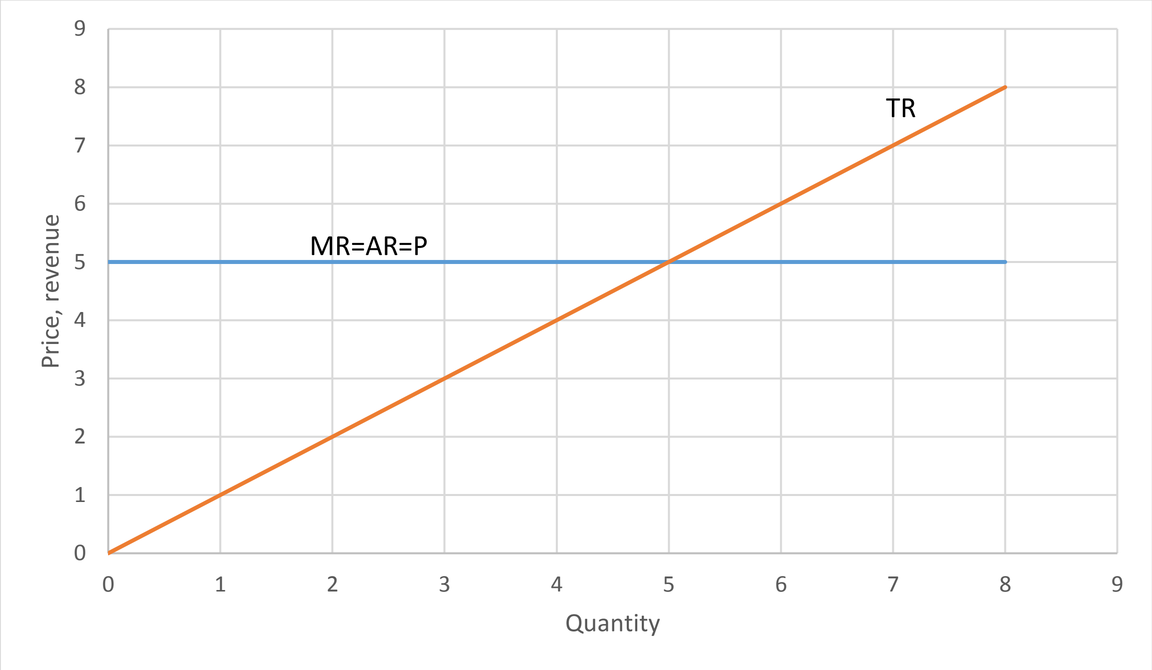
Economics – Microeconomics – Question #77889

Task: Explain with the aid of a properly labelled diagram, the marginal revenue curve facing a perfectly competitive firm.

Answer:



MR (Marginal revenue) – an increase in gross income, which is the result of the sale of one more unit of good. Perfectly competitive firm can sell as much as it desires, at market price (P); so the marginal revenue of perfectly competitive firm will be equal to the price:

$MR = \Delta TR / \Delta Q = P$

The marginal revenue of a perfectly competitive firm, as well as the average revenue is a constant value, and its curve graphically coincides with the price line, demand and average earnings.

Answer provided by https://www.AssignmentExpert.com