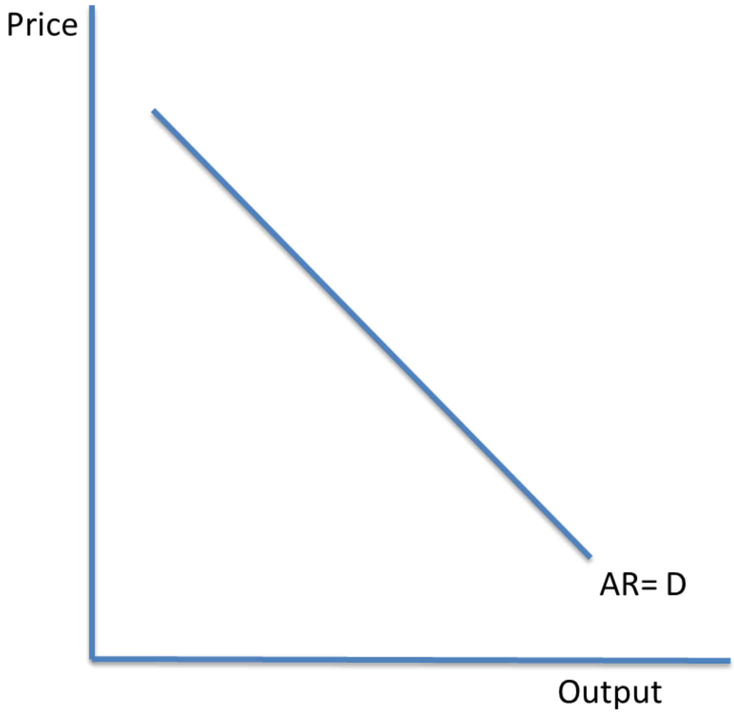
3.1.3.5 Average revenue, total revenue and profit

- 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.