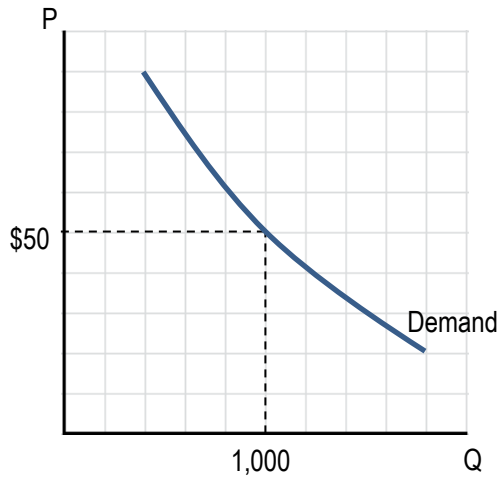
CONCEPT: TOTAL REVENUE TEST

- ***Revenue*** is the money coming in from sales, calculated as: _____

  - ☐ The ***total-revenue test*** analyzes what happens to total revenue when price changes.

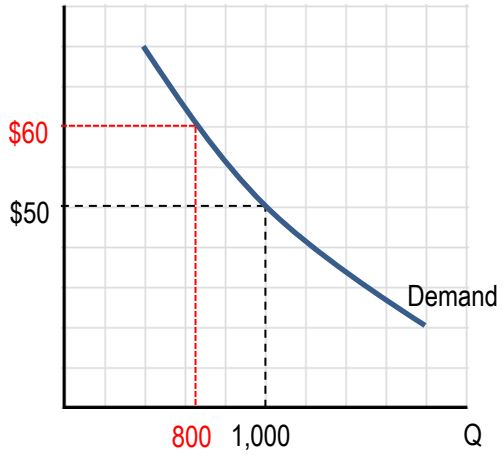
    - We want to _____ total revenue!



- A change in price has two effects on total revenue:

  - ☐ The _____ is the change in revenue from the change in price.

  - ☐ The _____ is the change in revenue from the change in quantity.



- Analyzing the results of the total revenue test:

  - ☐ If Total Revenue increases when Price increases, demand is: _____

  - ☐ If Total Revenue decreases when Price increases, demand is: _____

  - ☐ If Total Revenue stays the same when Price increases, demand is: _____

PRACTICE: The following demand schedule relates to the market for computer chips. What happens to total revenue if the price falls from $400 to $350?

a) Total Revenue increases by $250
b) Total Revenue increases by $500
c) Total Revenue decreases by $250
d) Total Revenue decreases by $500

Price	Quantity Demanded
$200	50
$250	45
$300	40
$350	35
$400	30

PRACTICE: A price change causes the quantity demanded of a good to decrease by 20 percent, while the total revenue increased by 10 percent. The demand curve is:

a) Elastic
b) Unit-Elastic
c) Inelastic
d) Perfectly Elastic