Marginal Revenue formula

Marginal revenue is referred to as the revenue that is earned from the sale of an additional product or unit. It is the revenue that the company generates when there is a sale of an additional unit.

Marginal revenue is a microeconomic term, but has many applications in accounting. Marginal revenue formula is the formula for calculating marginal revenue.

Marginal revenue is used by management in analysing customer demand, plan the production schedules and set product prices. If customer demand is not judged properly, it will then result in loss of sales and excess production that results in increased manufacturing costs.

Marginal revenue remains constant till a certain level of output and then it slows down with increasing output by following the law of diminishing returns.

By setting the price for a product, manufacturers can alter the demand for the product. For example, if the price is raised for a product it will reduce its demand and also reduce the need for manufacturing.

It also might lead to higher revenue per product, but the downside is that it can cause the buyers to shift to competitors, that will result in business losing more of the sales.

The Marginal Revenue Formula is as follows

Marginal revenue = Change in Total Revenue / Change in quantity

Or **MR = ΔTR/Δq**

Where,

ΔTR = Change in Total Revenue

Δq = Change in quantity