



# Sadiq Public School

Do the right, fear no man

Subject: Economics

Class: I1

Day: Saturday

Date: 16<sup>th</sup> Nov 2024

Lesson: Chapter No. 11

[Perfect Competition]

A) **Inquiry:** Do you know the nature of perfect competition in economics? Can you draw the demand curve of a firm and demand curve of an industry under perfect competition? Do you know, how to find the equilibrium by TR and TC approach?

B) **Information:**

(Read your text book pages from Page no. 213 to 215)

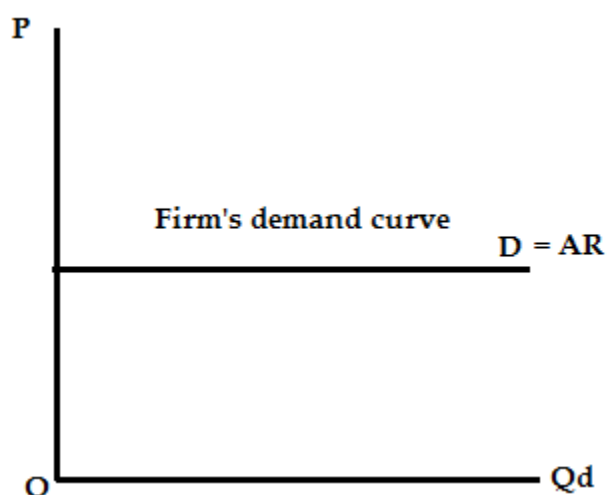
## Perfect Competition:

Under perfect competition following conditions are being fulfilled in the market:

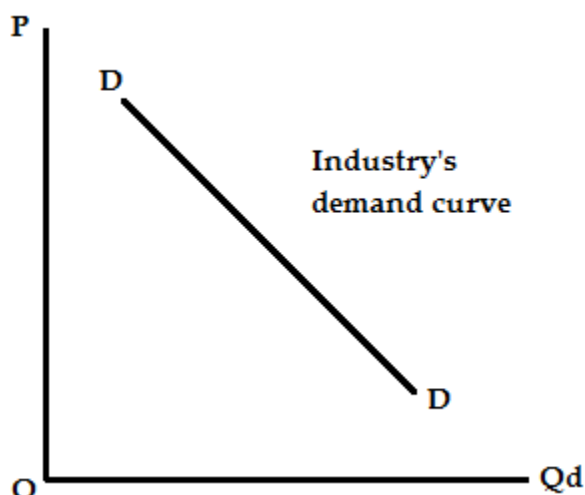
1. Homogeneity of the product
2. Large number of buyers and sellers
3. Free entry and exit
4. Elastic supply of factors of production
5. Perfect knowledge of the market

## Demand Curve under Perfect Competition

Graph A



Graph B



Graph A shows the demand curve of a firm and Graph B shows the demand curve of an industry.

## Equilibrium of the firm under perfect competition:

The main aim of each firm is to maximize its profit but it must be remembered that the amount of profit of a firm will not be the same at all levels of output. There are two methods to explain the equilibrium of a firm.

1. Total revenue and total cost approach  
$$\Pi = TR - TC$$
2. Marginal revenue and marginal cost approach  
$$MR = MC$$

### 1. TR – TC APPROACH:

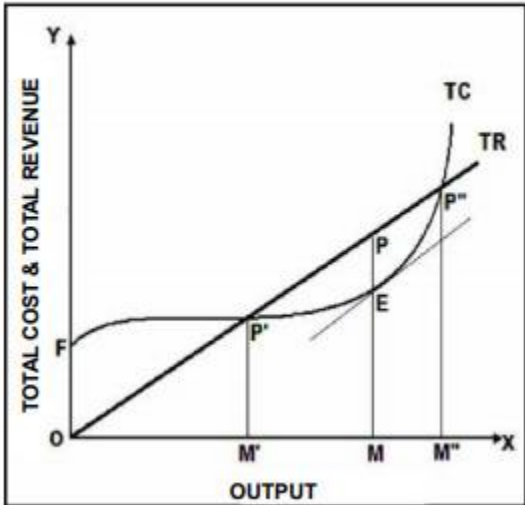
Each firm thus tries to maximize the difference between total revenue and total cost. At the level of output where  $TR - TC$  is maximum the equilibrium level will be determined.

In diagram we can see that equilibrium output is OM, because the difference between TR and TC is maximum at this point. It must be noted that output below OM' and beyond OM'' results in loss for the firm because under both the situations  $TR < TC$ .

Modern economists observe certain limitations and complications in this method i.e.

- i. It is difficult to find maximum difference between TR and TC.
- ii. It is not easy to know the price per unit at different levels of output.

Equilibrium of a Firm using TR and TC Curve



C) Synthesizing / Absorbing information

- What do you know about perfect competition?
- How price and output is determined under perfect competition by TR and TC approach?

D) Practising:

For practice read your textbook chapter No. 11 Page No. 213 to 215

Watch this video to learn more about:

[Equilibrium of firm under perfect competition by TR, TC approach](#)

E) Feedback:

If you have any question about this topic please send me an email I will reply ASAP.

Class	Teachers' Names	Teachers' Abbreviations	Teachers' Email Addresses	Instructions
I1GB	Bushra Bajwa	BB	<a href="mailto:Bushrabajwa786@gmail.com">Bushrabajwa786@gmail.com</a>	I1GB students will send their home assignments to their subject teacher (BB) for checking and getting feedback.
I1D	Muzammil Naseer	SMN	<a href="mailto:Muzammilnaseer335@gmail.com">Muzammilnaseer335@gmail.com</a>	I1D students will send their home assignments to their subject teacher (SMN) for checking and getting feedback.