Semester V

MJC 8

Intermediate Microeconomics 2

Unit 2

Distribution Theory

Concept of Factor Productivity

The marginal revenue product of a factor of production such as labour (MRPL) is the additional revenue a firm generates from hiring one more worker. It is calculated by multiplying the marginal product of labor (the extra output from the worker) by the marginal revenue (the extra revenue from selling that output). Firms use MRPL to determine how many workers to hire by comparing it to the wage rate; they will hire if the MRPL is greater than the wage

Read through the links given below....

https://corporatefinanceinstitute.com/resources/accounting/marginal-revenue-product-mrp/

And

https://www.scribd.com/document/754329529/Marginal-Revenue-Product-of-Labour

And

https://www.investopedia.com/terms/m/marginal-revenue-product-mrp.asp

After having gone through the contents given in the above links you should be able to answer the following questions

1. **Explain the concepts of marginal product (MP), marginal revenue product (MRP) and value of marginal product(VMP) with the help of suitable illustrations and diagrams?**
2. **Explain how the marginal revenue product (MRP) of a factor is the demand curve of that factor? Use the demand for labour as the example for illustration.**