

7.8 Differing objectives and policies of firms

Name: _____ Class: _____ Date: _____

Total: 24 marks

KEY WORDS satisficing 满意化 • revenue maximisation 收益最大化

- sales maximisation 销售最大化 • divorce of ownership from control 所有权与控制权分离
- profit maximisation 利润最大化

Objective

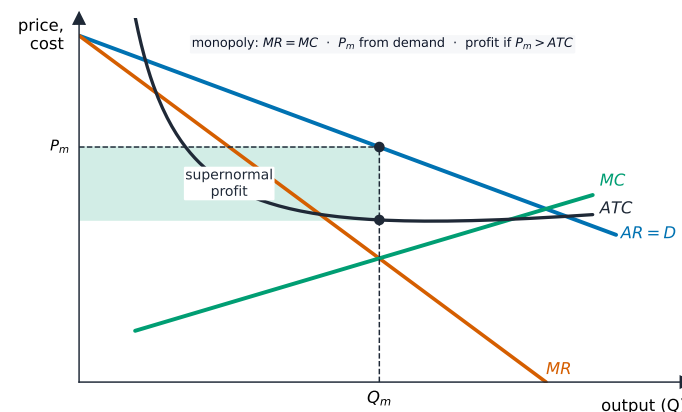
Build the skills to answer exam questions on the **differing objectives of firms** 企业的不同目标 — **profit, revenue and sales maximisation** 利润、收益、销售最大化, **satisficing** 满意化, and the **divorce of ownership from control** 所有权与控制权分离 (the **principal-agent problem** 委托代理问题).

You must be able to:

- describe the alternative objectives of firms
- explain the divorce of ownership from control
- analyse why firms may not maximise profit

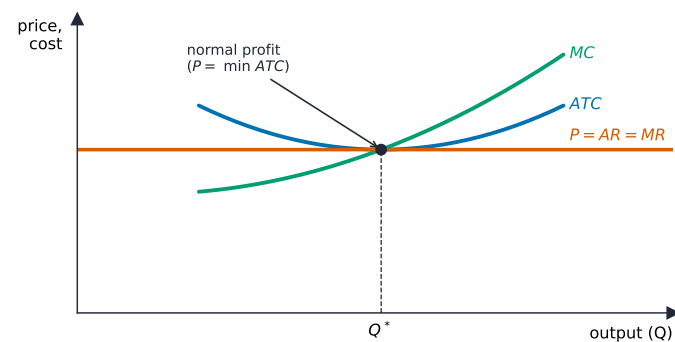
1 Worked examples

■ What firms aim for



Profit maximisation is the traditional aim — but not the only one

- **Profit maximisation** 利润最大化: produce where $MR = MC$. **Revenue maximisation** 收益最大化: where $MR = 0$.
- **Sales maximisation** 销售最大化: largest output while still making normal profit. **Satisficing** 满意化: “good enough” for all stakeholders.



long-run PC: $P = AR = MR = \min ATC$ • normal profit

Market structure limits the objective: under perfect competition only normal profit is possible

- **Divorce of ownership from control** 所有权与控制权分离: managers $\neq$ owners → the **principal-agent problem** 委托代理问题 (managers pursue their own aims).

Answer shapes: AO1 + AO2 + AO3 (analysis) + AO4 (a supported judgement *in context*).

2 Practice

2.1 State the output condition for *profit maximisation*. [1]

2.2 Define the term *satisficing*. [2]

2.3 Define the term *divorce of ownership from control*. [2]

3 Exam-style questions

3.1 A firm that aims for **revenue maximisation** produces where: [1]

A	B
C	D

A marginal revenue equals marginal cost

B marginal revenue equals zero

C price equals average cost

D average cost is at its minimum

3.2 Explain how the divorce of ownership from control can lead to the principal-agent problem. [6]

3.3 Discuss whether firms always aim to maximise profit. [12]
