3.6 Firms' costs, revenue and objectives

Name: ____________ Class: ________ Date: __________ **Total: 16 marks**

KEY WORDS total cost 总成本 • revenue 收益 • profit 利润 • total revenue 总收益 • variable costs 可变成本

Objective

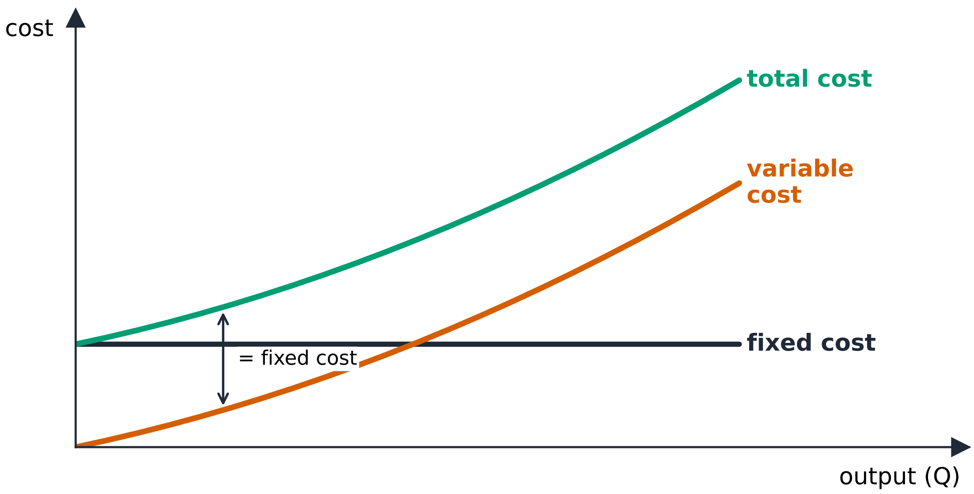
Build the skills to answer exam questions on **firms' costs, revenue and objectives** 企业成本、收益与目标 — **fixed and variable costs** 固定与可变成本, **total and average** 总与平均 cost, **revenue and profit** 收益与利润, and firms' **objectives** 目标.

You must be able to:

- distinguish fixed from variable costs and calculate total/average cost
- calculate total revenue and profit
- explain the different objectives of firms

1 Worked examples

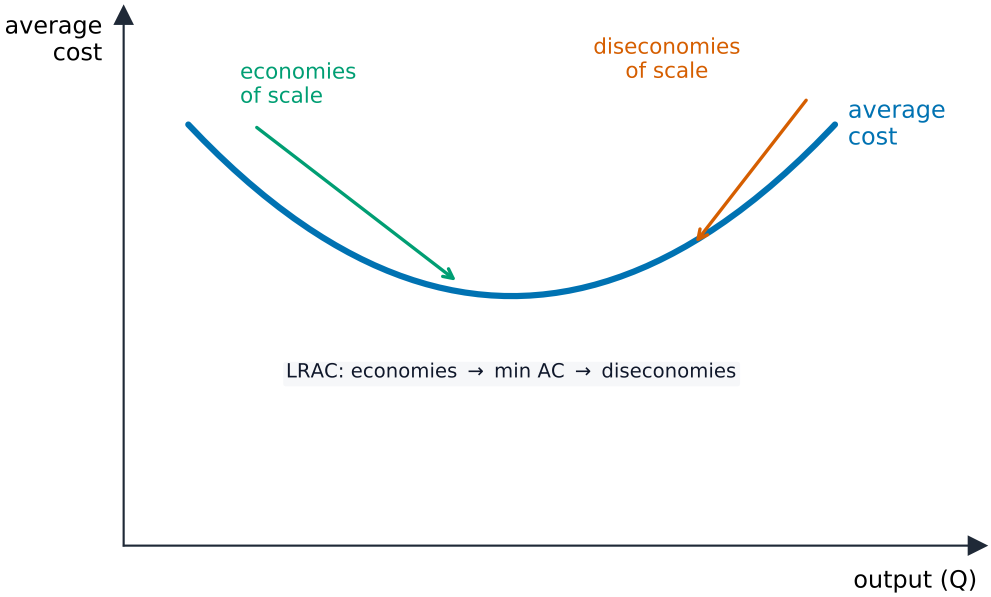
Costs, revenue and profit



$TC = FC + VC$ · gap between TC and VC is FC

Profit is what is left after costs

- **Fixed costs** 固定成本: do not change with output (rent). **Variable costs** 可变成本: change with output (materials).
- **Total cost** = fixed + variable. **Average cost** = total cost ÷ output.
- **Total revenue** 总收益 = price × quantity. **Profit** = total revenue − total cost.
- **Objectives:** profit, **survival** 生存, **growth** 增长, social objectives.



Average cost falls then rises as output grows — the scale picture behind profit

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 State the difference between a *fixed* and a *variable* cost. [2]

2.2 A firm sells 500 units at \$8 each. Calculate its total revenue. [2]

2.3 State the formula for *profit*. [1]

3 Exam-style questions

3.1 A firm has total revenue of \$10,000 and total cost of \$7,000. Its profit is: [1]

A	B
C	D

A \$3,000
B \$7,000
C \$10,000
D \$17,000

3.2 Explain why a new firm might aim for **survival** rather than maximum profit. [4]

3.3 Analyse how a firm could increase its profit. [6]