

LUMEN
CHRISTI
CATHOLIC COLLEGE

Be the Light of Christ

Examination Writing Booklet

Write your name and your teacher's name below

Name: _____

Teacher: _____

Write the question number you are answering here: 25

- Write using pen
- Answer planning can be done in this booklet
- Request for an extra writing booklet if you need more space
- You may NOT take any writing booklets, used or unused, from the examination room

The main goals of a firm can include anything from increasing profits and share price to solving environmental issues. The roles of a firm use these goals to solve the overall Economic problem. To solve this a firm must take full advantage of investments and economies of scale within its production process if it wishes to survive and achieve its goals.

The economic problem is balancing an infinite number of wants with a limited number of resources. Firms are constantly trying to get this right as it means more profits and happier customers if they do. Take Coca-Cola for an example, it has to supply its products across the globe which means it has to deal with an incredible amount of demand. This demand added with the limited resources that Coca-Cola has to work with is the essence of the Economic problem.

Coca-cola gets around this problem by taking full advantage of its investments and economies of scale within its production line.

Economies of scale

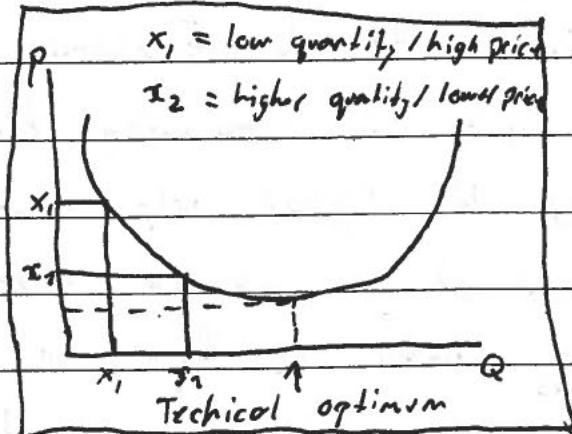
occurs when there is a decrease in the production cost per unit if you increase the

unit output itself. Coca-cola used this ~~opportunity~~

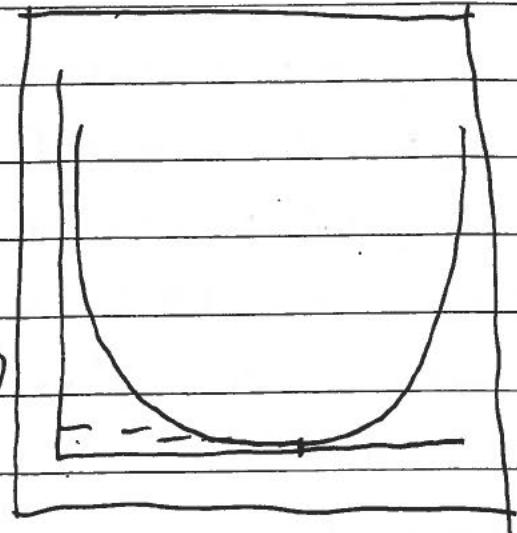
to create the most amount of units at the lowest price possible. Additionally Coca-cola achieves this through correct investment into capital to create its products. Since the

Economic problem is constantly asking for more and more products, Coca-cola uses the

Technical optimum ~~to achieve~~ (being the point at which the most output is produced ~~with~~ the cheapest input supplied).



Economies of scale also include situations that positively influence the business (like if a new can recycling system was found) which shift the curve downwards, decreasing the firms cost of production



In Summary the goals of a firm ^{mainly} are to increase profits and satisfy customers which is linked to the Economic problem. The role of a firm in combating this problem is through achieving the highest output at the cheapest input. This concept is created through a technical optimum within the firm on an LRAC diagram, which uses ^{the law of} economies of scale to help any firm to achieve the role of a business in solving the Economic problem.

This is a good start with the outline of LRAC & the effects of economies of scale. Your writing is ~~strange~~ had improved in its logical construction and moves through discussion points taking the reader with you.

Have a read of the marking guidelines & see if the areas such as firm's major decisions and the other goals of a firm - remember the Peacock lesson? These will strengthen & broaden the discussion