Unit 3: The Firm: We have what you need, but do you need it?

Content Area: **Social Studies**
Course(s): **AP Micro Economics**
Time Period: **November**
Length: **4 weeks**
Status: **Published**

Transfer

Enduring Understandings

Fixed, variable and total costs help us to determine the profitability of a firm. If a firm's revenue is more than its total cost it is profitable. If it dips below its fixed costs, it has to shut down.

Understanding what variable belong to fixed and variable costs helps the firm to make decisions on how they spend their money. Firms can lower their variable costs for greater profitability, but cannot change their fixed costs.

Diminish Marginal Product is the law that states that we can produce a certain amount of a good and beyond that we are less productive. This is impacted by the number of workers, time and resources we have. Adding workers does not make a company more productive.

Using all the factors of cost and price, we can figure out graphically how much profit, revenue and how to maximize each for a firm. This is used by firms to monitor their progress in the market.

Essential Questions

How can we use graphically analysis to determine the profitability or the need to shut down for a firm?

At what point do workers begin to lose their productivity and how can we use that information to determine output for a good?

What options do firms have to reduce their costs and make themselves either more profitable or more sustainable?

How can we determine what quantity a firm will maximize their total revenue?

How do firms use this theoretical information to make real world decisions?

Skills

Graph and analyze supply and demand curves and profitability of firms

Analyze The break even, profit margin and shut down points of firms and how to calculate these numbers.

Evaluate current economic climate through Economic Literacy Projects (ELP) where students choose a current event article and write up an analysis of it using economic standards.

Differentiate between profitability and losses for firms

Assess the ways that firms can reduce costs to increase profitability or prevent losses.

Total Costs, Fixed Cost, Variable Costs, Marginal Costs, Economies of scale, Diseconomies of Scale,

Profit Margins, Break- even point, revenue maximizing, profit maximizing, shut down point.

Standards

6.5.8 A. 7. Discuss how innovation, entrepreneurship, competition, customer satisfaction, and continuous improvement in productivity are responsible for the rise in the standard of living in the United States and other countries with market economies.

6.5.8 B. 4. Describe how inventions and innovations have improved standards of living over the course of history.

6.5.8 B. 5. Compare and contrast various careers, examining educational requirements and costs, salary and benefits, longevity, impact on society and the economy, and demand.

6.5.12 A. 4. Identify entrepreneurs in the community and describe the risks and rewards of starting a new business.

6.5.12 A. 7. Analyze the impact of supply and demand on market adjustments and prices (e.g., real estate and interest rates).

6.5.12 A. 3. Analyze labor and environmental issues affecting American citizens raised by economic globalization and free trade pacts