Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**2.4.2 Capacity utilisation**

1. Consider cause and effect. In each of the following scenarios identify what is likely to happen to the second variable.

|  |  |  |
| --- | --- | --- |
| Scenario | Variable | Up or down? |
| Capacity utilisation is increased to 95% | Quality |  |
| Labour productivity falls | Unit costs |  |
| Capacity is increased but output unchanged | Capacity utilisation |  |
| Labour productivity increases but capacity is unchanged | Unit costs |  |
| Capacity utilisation falls | Unit costs |  |

1. Complete the table below to show the relationship between operational data.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Capacity utilisation | 25% | 50% | 75% | 100% |
| Output |  |  | 120 000 |  |
| Capacity |  |  |  |  |
| Labour | 16 | 16 |  | 25 |
| Labour productivity |  |  | 6 000 |  |
| Fixed costs | £150 000 |  |  |  |
| Total variable cost | £20 000 |  |  |  |
| Unit cost |  |  |  |  |

Workings: