**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 | Down |
| Labour productivity falls | Unit costs | Up |
| Capacity is increased but output unchanged | Capacity utilisation | Down |
| Labour productivity increases but capacity is unchanged | Unit costs | Down |
| Capacity utilisation falls | Unit costs | Up |

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Capacity utilisation | 25% | 50% | 75% | 100% |
| Output | 40 000 | 80 000 | 120 000 | 160 000 |
| Capacity | 160 000 | 160 000 | 160 000 | 160 000 |
| Labour | 16 | 16 | 20 | 25 |
| Labour productivity | 2 500 | 5 000 | 6 000 | 6 400 |
| Fixed costs | £150 000 | £150 000 | £150 000 | £150 000 |
| Total variable cost | £20 000 | £40 000 | £60 000 | £80 000 |
| Unit cost | £4.25 | £2.375 | £1.75 | £1.4375 |