

A single economic
concept



**ASSIGN
BUSTER**

Ms. Janet Joe, Human Resource Department, A. B. C. Company, Dear Ms. Joe,
Benefits of profit maximization to the company It gives me great honor and privilege to have made it to your shortlist of the potential hires.

As per your letter, you requested for the elaboration of an economic concept that can prove to be beneficial to the affairs of the company and can aid in the solution of economic problems on behalf of your company.

The economic concept, I believe, that can prove to be beneficial for the economic affairs of the company is that of profit maximization.

It is a practice which the companies undertake in order to determine the best possible output and the most economic price level which can maximize the revenues of the company. The company usually regulates the factors which influence the cost and revenue of the company such as cost of production, level of output and their sale price for attainment of its profit target.

The process aims at identifying the costs that the company can reduce in the long run or ways that the company can increase its revenues in the long run which can marginally increase the element of profit for it for a given level of output or even by increasing the level of output. (Investorwords)

There are numerous ways that a company uses to maximize its profit both in the long and short run. Some of the useful methods are explained below.

Whichever cost is sustained by a company can be grouped into two categories which are variable costs and fixed costs. Variable costs change with the increase in the output while the fixed costs are sustained by the entity stay the same whatever be the output, which also includes zero output.

When the company has attained the point where its total costs have equaled the total revenue, it has reached the point of break even and each additional

product of the company will generate pure profit for which only the variable costs will be charged and the fixed cost will be spared as the breakeven has already covered them so an increase in the level of output can aid in the profitability of the company with greater margin of profit.

For each unit sold or service offered, the marginal profit of the company is the difference of the revenue and the cost of that particular product. If the revenue for a unit of product is greater than the unit cost of that product then the profit for the unit is positive and vice versa.

Similarly, for a service industry, the marginal cost for the service is very low so providing the service at the optimum level will increase the level of profit marginally.

I hope that you will find the information useful for the company and it will help the company to maximize its profit.

Looking forward to a mutually beneficial relationship in the future

Yours truly

Works Cited

Investorwords. 2010. 4 May 2011 .