- **Demerger** = the separation of a larger firm into two or more smaller organisations, often as the un-merging of an earlier merger.

3.2 Business objectives

- **Revenue maximisation** = when a firm maximises total revenue (MR = 0).
- **Sales maximisation** = when a firm maximises sales of its output whilst achieving normal profits (AR = AC, or normal profit).
- **Profit maximisation** = when a firm maximises the amount of profit it makes (MR = MC).
- **Welfare efficient output/allocative efficiency** = producing at a point where the price of a good is equal to the marginal cost of production (AR = MC).
- **Productive efficiency** = when a firm maximises its use of resources (AC at lowest point so AC = MC).
- **Profit satisficing** = doing just enough to make sure certain stakeholders are happy (combination of satisfying and sufficing).

3.3 Revenues, costs and profits

- **Average revenue** = P (P x Q/Q).
- **Total revenue** = P x Q.
- **Marginal revenue** = change in total revenue / change in quantity.
- **Marginal revenue** = is the extra revenue generated from each extra unit sold.
- **PED** = the responsiveness of demand as a result of a change in price.
- **PED** = % change in quantity demanded / % change in price.
- **Short-run** = a time period in which at least one factor of production is fixed, so only costs of production can change.
- **Long-run** = a time period in which all factors of production are variable, allowing productivity to change.
- **Implicit costs** = the opportunity cost.
- **Explicit costs** = the fixed and variable costs which firms have to pay.
- **Variable costs** = costs which vary with output (e.g. utility bills and wages).
- **Fixed costs** = costs which DO NOT vary with output (e.g. rent and salaries).
- **Marginal costs** = change in total costs / change in quantity.
- **Marginal costs** = the extra costs incurred when 1 more unit of output is produced.
- **Average costs** = total costs / quantity.
- **Total costs** = total fixed costs + total variable costs.
- **Internal economies of scale** = a reduction in long run average cost as output increases (caused by the growth of the firm).
- **Economies of scale** = a fall in the long-run average costs as output increases.
- **Risk-bearing economies** = as a firm expands, it can diversify and enter new markets to spread risk and minimise the impact of any downturn. ***R** can also stand for "Research and Development".*