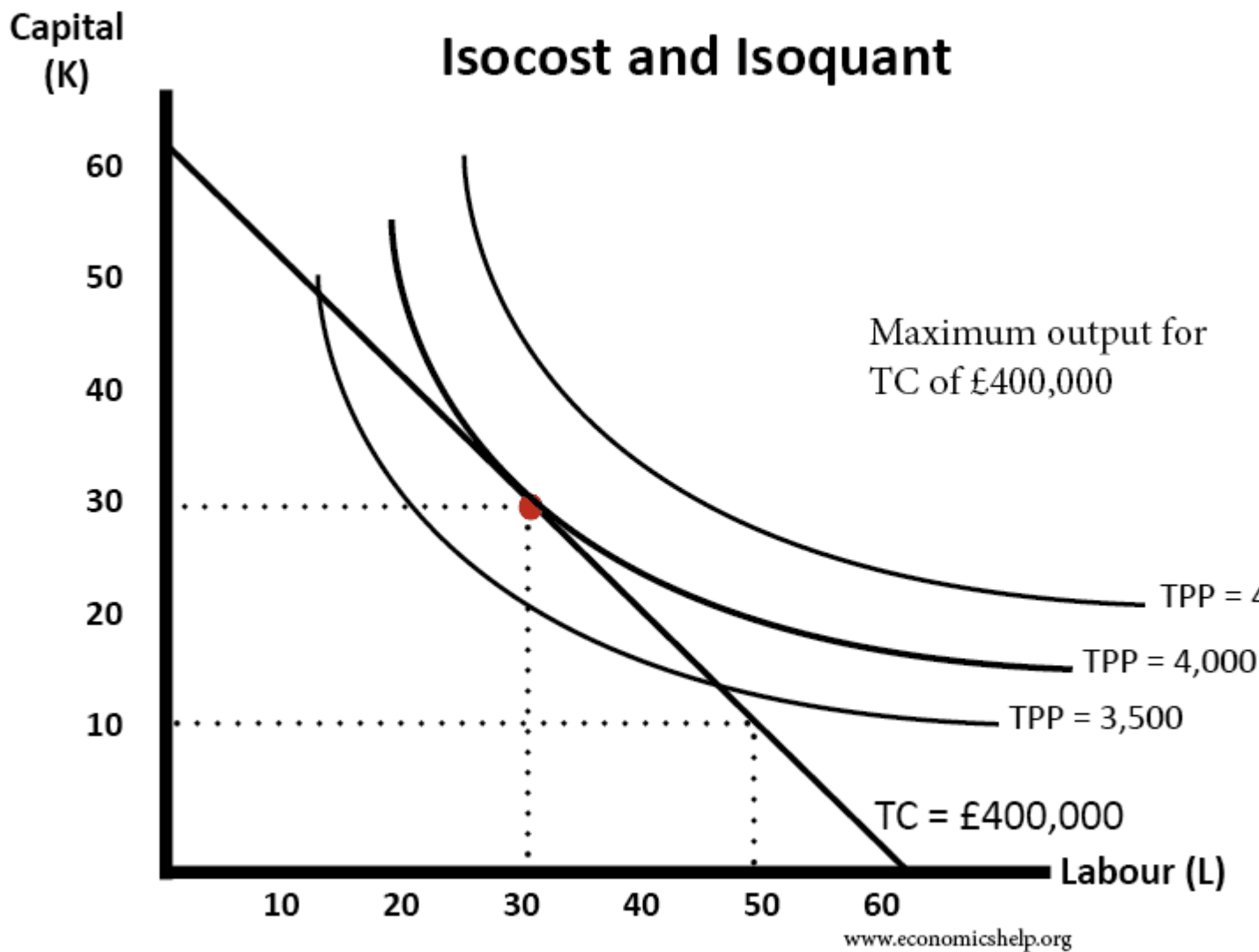


## Isoquants

### Profit maximisation

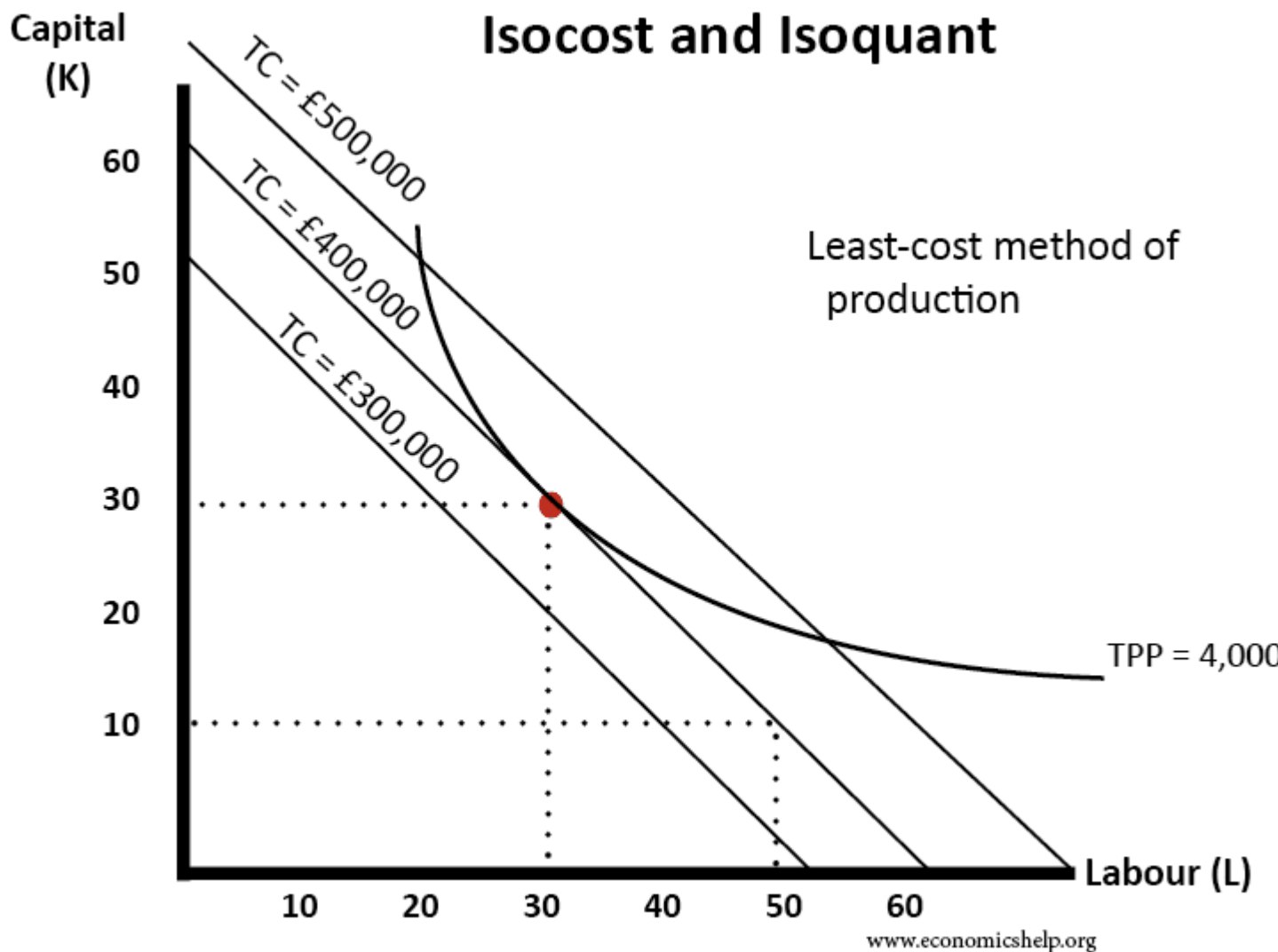
To maximise profits, a firm will wish to produce at the point of the highest possible isoquant and minimum possible isocost



In this example, we have one isocost and three isoquants. With the isocost of £400,000 the maximum output a firm can manage would be a TPP of 4,000. If it produced at say 13 K and 48 Labour, it would only be able to produce a TPP of 3,500.

A total TPP of 4,500 is currently not possible without increasing costs beyond £400,000

### Profit maximisation – the least cost method of production



Another way of seeking to maximise profits is to target an output of say 4,00 and then find the isocost with the lowest possible cost. In this case, the isocost which touches the tangential point of the TPP is a TC of £400,000.