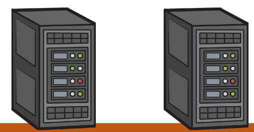
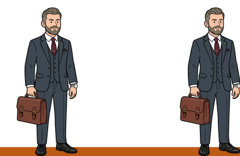
TOPIC: STEP-WISE COSTS





Server Capacity		Maximum Oven Use		Management Plan	
Requests per second	1,500	Pizzas per hour	50	Direct Reports per Manager	12

- If a cost is fixed within each relevant range, but increases as _______ rises, the cost is **step-wise.**
  - Step-wise costs emerge from resources that support multiple products but have a limited capacity.

Small Firms **Fixed / Variable**

Large Firms **Fixed / Variable**

TOPIC: STEP-WISE COSTS

EXAMPLE

Tylor's Tickets hires a maintenance worker to keep their ticket kiosks running. The worker is paid a salary of $6,000 per month but is only able to keep up with repairs associated with printing 2600 tickets. If more than 2600 tickets are printed, a second worker will be required. Calculate the total maintenance cost of the firm at each projected level of sales.

Sales per Month	Total Maintenance Cost
2000 tickets	
2500 tickets	
3000 tickets	

PRACTICE

A business faces a stepwise cost and is confident that they will not produce outside of their current relevant range. For accounting purposes, they should treat this cost as:

a) Variable.
b) Mixed.
c) Fixed.
d) None of the above.