TOPIC: RELEVANT RANGE

- If a company's _______________ is in their **Relevant Range** their fixed costs and average variable costs are constant.
  - If a company produces outside of their relevant range, their fixed costs and average variable costs will

Production Capacity

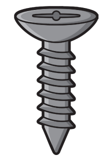
Server Capacity	
Requests per second	1,500

Retainers

Retainer (legal)	
Hourly Rate	$250
Hours Retained	100

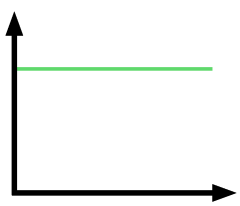
Bulk Discounts

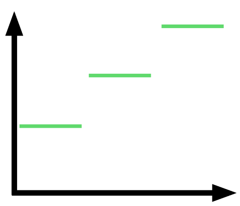
Cost of Screws	
0 - 5000	$.03
5001+	$.02

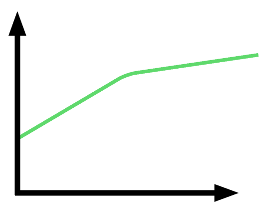


PRACTICE

Which of the following graphs depicts 3 relevant ranges?

a) 

b) 

c) 

d) None of the above.

PRACTICE

AI Megacomputer Co. negotiates a deal with the local utility company to provide them with 1 million kWh per month. Their contract stipulates that if AI Megacomputer Co. uses more than 1 million kWh in a month they will pay a variable rate of $0.30 per kWh. How many relevant ranges does AI Megacomputer Co. have in measuring their electricity use, and why?

a) One: A single contract specifies all the business' costs, so there is only one relevant range.

b) One: Since the rate is $0.30 per kWh, it is irrelevant whether they pay for some of this cost in advance.

c) Two: Since the cost is fixed below 1million kWh and variable above 1million kWh there are 2 relevant ranges.

d) Three: AI Megacomputer Co. has a relevant range when they use no power, another when they use 0-1million kWh and a third when they use more than 1 million kWh.