



## BIE Homework Sheet

Economies of scale

Production costs can be broken down into two different types of costs, fixed costs and variable costs.

**Fixed costs** are expenses that don't change as the production level increases

**Variable costs** are expenses that increase or decrease as production increases or decreases

For example

Rent would be a fixed cost because no matter how many units are produced the amount would not increase.

Materials would be a variable cost because the more units that are produced the more materials would be needed

Task

Red Label Ltd makes soft stuffed toys; The Company incurs the following expenses:

Building Rent, Machinery Electricity, fur, eyes, Insurance, machinery rent, Administration workers salaries,

Split the above expenses in to fixed and variable costs.

All Homework must be handed in on the date requested.

If you hand in homework late or it is of an unacceptable standard you will be given a p6.