Administrative costs case study

These are costs that are not part of the product but part of the cost of running a company. These are typically expense in the period in which they are incurred. These were depicted in the case when Harry mentioned that the peanut must share a proportionate part of expenditures for rent, heat, light, equipment depreciation, decorating and salaries. Administrative Costs- These are cost associated with research, development, general administration of the organization that cannot be assigned to either selling or production.

These were depicted in the case when Harry mentioned that the peanut must share a proportionate part of the salaries of the help, cook and other employees. Opportunity Cost- The benefit given up or sacrificed when one alternative is chosen over the other.

This was depicted in the case when Harry pointed out that the square foot of space occupied by the peanut rack is worth $ 250 per year. And since Joe has oaken that area away from general counter use, Joe must charge the value to the occupants.

Selling Costs- The costs necessary to market and distribute the product or service. These were depicted in the case when Harry said " the cook is in the kitchen; the kitchen prepares the food; the food is what brings people in and while they're in they ask to buy peanuts. " Fixed Cost- The cost that does not increase in total as output increases and that does not decrease in total as output decreases.

This was depicted in the case when Joe pointed out that the peanuts cost 6 cents a bag and he will sell these for 10 cents a bag. Variable Cost- The cost

that increases in total as output increases and that decreases in total as output decreases. This was depicted in the case when Harry pointed out that if the volume of the peanut sales increase, Joey's operating costs will go up and he'll have to handle more bags, with more time, more general overhead, more everything.