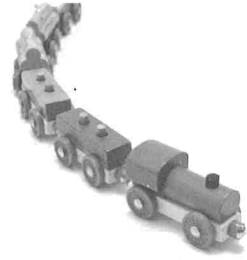


# Fixed and variable costs

1 Anita runs a business making small wooden toys, such as trains and boats. She uses a workshop which she bought with a bank loan, and employs a friend to help out on a part-time basis when she is busy.



**(a)** Suggest **four** fixed costs that Anita might pay. **(4 marks)**

- 1 .....
- 2 .....
- 3 .....
- 4 .....

Make sure you are clear about the term you are being asked about. Here you are being asked to identify **fixed** costs.

**(b)** Now suggest **two** variable costs that she might have. **(2 marks)**

- 1 .....
- 2 .....

**Guided**

2 Complete the following sentences using the words in the box below. **(2 marks)**

- (a)** Rent is usually a *fixed* cost because it does not ..... regardless of the level of activity or the number of items made and sold.
- (b)** Postage and packing costs are often *variable* costs because the cost ..... with the level of activity or as more items are made, sold and despatched.

change	variable	decreases
fixed	increases	varies