

VARIABLE AND FIXED COSTS IN COMPANY MANAGEMENT

Author **Sorin Briciu**

N/A

Abstract:

The cost absorbs all the expenses of production for a company at a certain level of the activity. For eliminating the influence of the fixed costs's absorbtion and for a better supervision of other causes of digressions, the managers can apply the method of rational imputation of the fixed costs. The managers should, in some cases, take into consideration the total costs and not the unit costs. Variable costs, fixed costs and unit costs should be taken into consideration at all times. When managers decide on the products to be manufactured, they have to know how the income and expenses vary along with the changes in the production volume. That is why they have to separate the fixed and the variable costs. The identification of a variable or fixed cost helps the manager to forecast the total costs and to take the decisions based on an existent situation.

Keywords: fixed costs, variable costs, the cost of the under-activity

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