

CHAPTER

5

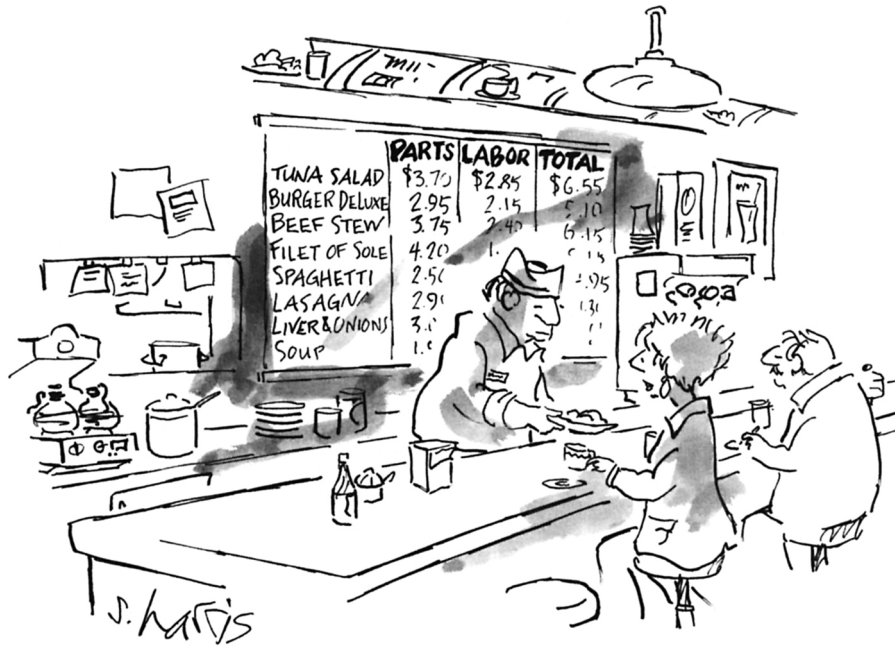
SECTION 2

ANALYZING AN ECONOMIC CARTOON

The Cost of Doing Business

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Businesses have two types of costs. Fixed costs are one type. They stay the same no matter how much is produced. Variable costs are another type. Variable costs change with the number of units produced. The business in this cartoon shows its costs to everyone. The menu highlights the cost of parts, labor, and the total cost for each item.



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Directions: Answer these questions about the cartoon. Use complete sentences.

1. What is the setting of this cartoon? _____
2. What type of business typically lists its costs in this way?

3. Why would "parts" be variable costs? _____

4. What is an example of a fixed cost for this business?
