

Sample assessment 1 model answers

**Level 2 synoptic assessment (AQ2016)**

**Introduction**

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**Introduction, continued**

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**Task 1, continued**

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**Task 1, continued**

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**Task 5, continued**

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**Task 6, continued

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| **Introduction**This report:* explains and gives examples of fixed and variable costs
* describes the effect of increased output on unit cost.

**Fixed cost**A fixed cost is one that remains the same irrespective of the level of output. An example of a fixed cost for a factory would be the cost of rent. **Variable cost**A variable cost is one which changes in relation to the level of output. An example of a variable production cost would be the direct materials used in a product.**Description of what happens to the cost per unit as output increases** The cost per unit decreases as output increases. This is because fixed costs do not change with output so are shared between an increased number of units when output increases.  |

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**Task 7, continued**

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**Task 7, continued**

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