

RELEVANCE COST FOR SHORT-TERM DECISION MAKING



What is relevance cost?

A relevant cost is a cost that differs between alternatives being considered.

The Concept Of Relevance Cost

Relevant costs' can be defined as any cost relevant to a decision.



Short-Term Decision Making 1: Drop or Retain

refers to deciding whether to close a particular business unit or continue operating it.



1

Short-Term Decision Making 2: Make or Buy

- the choice between manufacturing the product internally or outsourcing its development from another vendor.



2

Short-Term Decision Making 3: Special Order

refers to the occasions when a customer wants to order a product



3

Short-Term Decision Making 4: Limiting Factor

refer to the potential gains depending on which option they select over another.



4