

B-24.01

The focus of business decision making is to identify "relevant" items - those where future costs and revenues are expected to differ between alternatives under consideration. Examine the following listing, and apply your best judgment to identify if the item is "relevant."

	Relevant	Irrelevant
The cost of a prior paint job, in a decision to repaint a building.		✓
The original investment cost in shares of stock in a company that is in decline, in a decision to sell or hold.		
Income taxes that can be saved by selling an asset at a loss, in a decision to sell or hold.		
The cost of tearing out an old parking lot, in deciding whether to build a new lot or not.		
The cost of textbooks, in deciding which classes to take during a semester.		
The original cost of a textbook, in deciding whether to resell the book or not at the end of the term.		
The cost of an attorney, in deciding whether to appeal a traffic fine that is undeserved.		
The allocation of factory depreciation, in deciding whether to accept a special offer from a customer.		
Research and development costs incurred to develop a new product, in deciding whether to file for a patent application.		
Proceeds that will be received from the sale of "factory seconds," in deciding how to price a primary product.		