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Academic Entrepreneurship

Topic 2. Fixed and Variable costs

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The aim of the project is

- prepare an estimation of fixed and variable costs
- Identify costs associated with developing our nutrition app
- To divide production and non production costs
- To divide direct and indirect costs
- To estimate price per unit of variable costs
- To estimate annual and monthly costs of fixed costs



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Cost determining factors:

- Complexity of the app
- Features of the app
- Outsourcing development/In-House
- App availability



Fixed and variable costs

fixed costs	variable costs
Development	● Testing costs
Support and ongoing development costs	● server and domain costs
Office space and related costs	● server and domain support costs
Marketing costs	● Design
Banking and merchant account fees	● sales manager interest
Legal and insurance costs	● sales tax
nutritionist salary	● tax
equipment	
software	
registration to apple/android	



Fixed production costs

Fixed costs	Per month	For the year
<u>Production:</u>		
Equipment (computers etc)	2.000 PLN	24.000 PLN
Software	3.500 PLN	42.000 PLN
Fixed salaries (full-time)	40.000 PLN	480.000 PLN
Registration to apple/android	1.000 PLN	12.000 PLN



Fixed non production costs

<u>Non-production:</u>		
office rental	1.500 PLN	18.000 PLN
office supplies	63 PLN	756 PLN
Marketing costs	3.129 PLN	37.548 PLN
Research and development	8.141 PLN	97.692 PLN
Legal and insurance costs	110 PLN	1.320 PLN
Server	3.750 PLN	45.000 PLN

Variable Direct Costs

<u>Direct costs:</u>	
Testing costs	375 PLN
server and domain costs	300 PLN
Design	3750 PLN
App maintenance	19.538 PLN



Variable Indirect costs

<u>Indirect costs:</u>	
server and domain support cost	150,30 PLN
sales manager interest	250 PLN
sales tax	345 PLN
tax	400 PLN



Total costs

Fixed costs	63.193 PLN (MONTHLY) 758.316(ANNUAL)
Variable costs	25108,30PLN



Summary

- Fixed and variable costs are difficult to exactly determine for an app
- Most cost consuming is the app development
- Maintenance of the app is estimated at 20% of development cost
- Increased costs are associated with app complexity.



**Thank you
for your attention**