Agricultural Journals

AGRICULTURAL ECONOMICS
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Agric. Econ. – Czech

Beranová M., Martinovičová D.:

Application of the theory of decision making under risk and uncertainty at modelling of costs

The costs functions are mentioned mostly in the relation to the Break-even Analysis where they are presented in the linear form. But there exist several different

types and forms of cost functions. Fist of all, it is necessary to distinguish between the short-run and long-run cost function that are both very important tools of the managerial decision making even if each one is used on a different level of management. Also several methods of estimation of the cost function's parameters are elaborated in the literature. But all these methods are based on the past data taken from the financial accounting while the financial accounting is not able to separate the fixed and variable costs and it is also strongly adjusted to taxation in the many companies. As a tool of the managerial decision making support, the cost functions should provide a vision to the future where many factors of risk and uncertainty influence economic results. Consequently, these random factors should be considered in the construction of cost functions, especially in the long-run. In order to quantify the influences of these risks and uncertainties, the authors submit the application of the Bayesian Theorem.

Keywords:

Bayesian Theorem, cost function, fixed cost, variable cost, probability

[fulltext]

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