

Module 4

Section A: Assess the Transformation

Term

Sunk cost

1) The unrecovered balance of an investment. It is a cost, already paid, that is not relevant to the decision being made about the future. 2) Capital already invested that for some reason cannot be retrieved. 3) A past cost that has no relevance with respect to future receipts and disbursements of a facility undergoing an economic study. This concept implies that since a past outlay is the same regardless of the alternative selected, it should not influence the choice between alternatives.