Is the Opportunity Cost of Idle Capacity Zero? Coase (1938)  
Versus Managerial Accounting Circa 2000  

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Abstract  

Many accounting textbooks state that the opportunity cost of idle fixed assets is zero. A few exceptions refer to repair, overhaul, employee vacation and congestion giving rise to positive opportunity cost. We show that in important and frequently encountered situations, idled assets have positive opportunity cost arising from extension of their useful life. We also present a simple framework to help managers identify such situations and correctly assess opportunity cost.

JEL Codes: L2, M21, M41  

Keywords Opportunity cost, Resource management, Time-based costing, Resource granularity, decision-making.  

December 2001