includes factory costs such as cleaning supplies, taxes, insurance, and janitor wages.

Your answer is correct.

- Manufacturing overhead
- Indirect labor
- Direct materials
- Period costs
Materials that become an important component of the finished product and their cost can be easily and conveniently traced to the finished product are **direct** materials. (*Enter only one word per blank*)

Your answer is correct.
Costs that are shared by multiple cost objects in a company are known as _____ costs.

- common
- sunk
- opportunity
- marginal

Your answer is correct.
The correct answer is shown.
Sales revenue minus variable expenses is contribution margin.

✓ Your answer is correct.
The correct answer is shown.

Within the relevant range of activity, cost assumptions are reasonably valid.

✓ Your answer is correct.
_____ costs vary in total, in direct proportion to changes in activity level.

- Your answer is correct.
- Opportunity
- Fixed
- Differential
- Variable

[Challenge] [OK]

Not for Sale or Rent!
A cost that can be easily and conveniently traced to a specific cost object is a(n) **direct** cost of that cost object, whereas costs that cannot be easily and conveniently traced to that specific cost object are **indirect** costs. (Enter only one word per blank).
Salaries of factory supervisors and factory maintenance personnel are examples of ______ labor costs.

Your answer is correct.

indirect

direct
Labor costs that can be easily and conveniently traced to specific products are defined as:

- direct labor costs
- indirect labor costs

Your answer is correct.
Which of the following are most likely fixed costs (check all that apply)?

- Electricity to operate factory machines
- Factory insurance
- Administrative salaries
- Factory rent

Your answer is correct.
Indirect materials include:

- factory rent and insurance
- nails, glue, and thread
- setup labor
- laptop computer keyboards

Relatively insignificant materials are treated as indirect because it isn't worth the effort to trace the costs.
Mixed costs are also commonly known as semi-variable costs.

Mixed costs have both a fixed and a variable component.
Within the relevant range of activity, variable costs (check all that apply):

- Your answer is correct.
- vary in total
- remain constant per unit
- remain constant in total
- vary per unit
Costs that can be easily and conveniently traced to a specific product are called ___ costs.

Your answer is correct.

- direct
- indirect

Challenge

OK

Not for Sale or Rent!
The correct answer is shown.

The relative proportion of each type of cost in an organization is known as the company's cost structure.

Your answer is correct.
The correct answer is shown.

Any item for which cost data is desired is called a(n) **cost** object. *(Enter only one word per blank.)*

✅ Your answer is correct.

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Not for Sale or Rent!
Costs that have already been incurred and can not be changed by decisions made in the current period or in future periods are called sunk costs. (Enter only one word per blank.)

Your answer is correct.
Marginal cost is:

- The cost that can be traced to a specific product.
- The cost incurred to produce one more unit of a product.
- What is given up by selecting one alternative over another.
- Another name for the fixed cost per unit.
The financial statement that organizes costs by their behavior instead of by their function is the:

- **contribution format income statement**

Your answer is correct.
A dress manufacturer would consider the cost of relatively inexpensive items like thread to be part of (check all that apply):

- administrative costs
- indirect materials
- direct materials
- manufacturing overhead

Your answer is correct.
Direct materials and direct labor are both:

- Selling and administrative costs
- Nonmanufacturing costs
- Period costs
- Manufacturing costs

Your answer is correct.
Using the high-low method, the fixed cost is calculated (check all that apply):

- Your answer is correct.
- using either the high or low level of activity
- by adding the total cost to the variable cost
- before the variable cost is calculated
- after the variable cost is calculated
The correct answer is shown.

The revenue obtained from selling one additional unit of product is called **marginal revenue**.
When using the high low method, the change in cost divided by the change in units is: 

- Your answer is correct.
- total cost
- total variable cost
- the fixed cost per unit
- total fixed cost
- the variable cost per unit

[Challenge] [OK]
Which of the following statements are true (check all that apply)?

- Direct labor and indirect labor are product costs.
- Indirect labor is part of manufacturing overhead.
- Factory cleaning and maintenance are period costs.
- Sales commissions and shipping costs are product costs.
- Advertising and sales commissions are period costs.

Your answer is correct.
A change in revenues between two alternatives is known as **differential** revenue or **incremental** revenue.
In the equation \( Y = a + bX \), \( Y \) is the:

- total mixed cost
- variable cost per unit of activity
- level of activity
- total fixed cost

Your answer is correct.
Preventing, detecting and dealing with defects causes _____ costs.

- quality
- opportunity
- marginal
- sunk

Your answer is correct.
Which of the following statements are true (check all that apply)?

- Plotting data on a scattergraph is an important diagnostic step.
- Scattergraphs are a way to diagnose cost behavior.
- When plotting a scattergraph, cost is the independent variable.
- Scattergraphs should be used after high-low or regression analysis is performed.

Your answer is correct.
The high-low method is based on the rise-over-run formula for the slope of a straight line.
The correct answer is shown.

Differential costs are also known as incremental costs.

Your answer is correct.
A potential benefit that is forfeited or lost when one decision is chosen over another is called a(n) \textit{opportunity cost}.

\checkmark Your answer is correct.
A fixed cost remains fixed ______ within the relevant range of activity.

Your answer is correct.

- in total
- per unit
Committed fixed costs cannot easily be changed and often lock a company into a multi-year decision.
The correct answer is shown.

When using the high-low method, the slope of the line equals the variable cost per unit of activity.
Cost behavior is considered linear whenever:

- the relationship between cost and activity cannot be represented by a line
- a straight line approximates the relationship between cost and activity
- a straight line approximates the difference between cost and activity
- the difference between cost and activity is zero

Your answer is correct.
Which of the following are differences between the traditional and contribution approach to income statements (check all that apply)?

- Traditional income statements focus on cost function. Contribution approach statements focus on cost behavior.
- Compared to traditional statements, contribution approach statements provide management with a tool to make decision making easier.
- The traditional income statement is for internal use, while the contribution approach income statement is for external use.
When using account analysis, an account is classified as either fixed or variable based on:

- Your answer is correct.

  - the analyst's prior knowledge of how the cost behaves
  - the equation \( Y = a + bX \)
  - engineering estimates of production methods
  - scattergraphs
_____ costs are incurred in an attempt to lower the number of products manufactured with defects.
Costs associated with the general management of an organization are called **administrative costs**. (Enter only one word per blank.)

Your answer is correct.
Direct labor and overhead costs incurred to change raw materials into finished products are known as ___ costs.

Your answer is correct.

- period
- conversion
- opportunity
- prime
An activity base (check all that apply):

- Your answer is correct.

- is a measure of whatever causes fixed costs to occur
- measures whatever causes costs to vary
- is part of the organization where major operations are planned and carried out
- is sometimes called a cost driver
Period costs are expensed on the income statement:

- Your answer is correct.
- Never; they do not appear on the income statement
- In the period in which they occur
- In the period in which the related goods are sold

Challenge

OK

Not for Sale or Rent!
Which of the following statements are true (check all that apply)?

- Product costs are also called inventoriable costs.
- Product costs are always expensed in the same period in which the related products are produced.
- Product costs "attach" to units of product as they are purchased for resale or produced.
- Product costs include all costs involved in making and selling a product.

Your answer is correct.
The correct answer is shown.

Products that meet or exceed their expectations and are free from defects that mar or degrade their performance are said to have a high quality of conformance.

✓ Your answer is correct.
Which of the following is not a COST CLASSIFICATION associated with decision making?

- Sunk costs
- Opportunity costs
- Indirect costs
- Differential costs

Your answer is correct.

Challenge

OK

Not for Sale or Rent!
We Ship It, Inc. is considering changing its shipping methods, which they believe will attract new customers. The following information relates to the present and proposed methods.

<table>
<thead>
<tr>
<th></th>
<th>Present</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$140,000</td>
<td>$190,000</td>
</tr>
<tr>
<td>Variable costs</td>
<td>$60,000</td>
<td>$70,000</td>
</tr>
<tr>
<td>Fixed costs</td>
<td>$20,000</td>
<td>$25,000</td>
</tr>
</tbody>
</table>

Calculate the differential net income or loss from the proposal.

- Your answer is correct.
- $50,000 differential net income
- $35,000 differential net income
- $40,000 differential net income
- $15,000 differential net income
The correct answer is shown.

Inventoriable costs is another term for **product** costs. *(Enter only one word per blank.)*

Your answer is correct.
Differential cost is (check all that apply):

- the difference in cost between two alternatives
- the same as opportunity cost
- never relevant to a product decision
- also known as incremental cost

Your answer is correct.
________ costs are incurred to identify defective products before they are shipped to customers.
The correct answer is shown.

When a company recalls a defective product, a(n) **external failure** cost is incurred.

✓ Your answer is correct.
A method that uses all the available data points to divide a mixed cost into its fixed and variable components is called:

- least-squares regression
- the contribution approach
- the engineering approach
- high-low

Your answer is correct.
The high-low method (check all that apply):

- Your answer is correct.
- is based on periods where the activity tends to be unusual
- The points with the highest and lowest level of activities often tend to be unusual.
- uses only two data points
- generally provides an accurate estimate of true cost behavior during normal periods
- is difficult to apply and requires a statistical software package
The correct answer is shown.

Manufacturing costs can be divided into three categories: direct materials, direct labor and manufacturing overhead (Enter only one word per blank).

✓ Your answer is correct.
A report that is constructed to provide an estimate of the financial consequences that a company incurs due to the current level of defects is called a(n) **quality** cost report.

Your answer is correct.
The components of prime costs are (select all that apply):

- manufacturing overhead
- direct labor
- selling and administrative expenses
- direct materials

Your answer is correct.

Not for Sale or Rent!
Variable costs vary ______ within the relevant range of activity.

- in total
- per unit

Your answer is correct.
A non-profit organization is trying to determine the fixed and variable costs of providing meals. During the first six months of the year, the following meals were served and the following costs were incurred.

<table>
<thead>
<tr>
<th>Month</th>
<th>Meals</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>1,500</td>
<td>$5,200</td>
</tr>
<tr>
<td>February</td>
<td>1,700</td>
<td>$5,700</td>
</tr>
<tr>
<td>March</td>
<td>1,200</td>
<td>$4,100</td>
</tr>
<tr>
<td>April</td>
<td>1,100</td>
<td>$4,200</td>
</tr>
<tr>
<td>May</td>
<td>1,150</td>
<td>$4,250</td>
</tr>
<tr>
<td>June</td>
<td>1,650</td>
<td>$5,550</td>
</tr>
</tbody>
</table>

The cost equation using the high-low method is:

$y = \$1,450 + \$2.50x.$
The correct answer is shown.

Costs incurred to obtain customers' orders are known as **selling** costs. *(Enter only one word per blank.)*

✓ Your answer is correct.
Which of the following are considered nonmanufacturing costs (check all that apply)?

- Assembly-line worker wages
- Company president's salary
- Sales commissions
- Insurance on plant equipment

Your answer is correct.

[Challenge] [OK]