

1. Costs that fluctuate proportionally with the fluctuation of output are called \_\_\_\_\_ costs.

1. fixed
2. direct
3. variable
4. Sunk

2 . Jill started a business making designer soccer balls. If she made 500 soccer balls this month, sells them for \$50 each, and the variable cost of producing one soccer ball is \$12.75, what are her total variable costs for this month?

- a. \$6,375
- b. \$512.75
- c. \$25,000
- d. \$18,625

3. The formula for total variable cost is \_\_\_\_\_.

- a. total quantity of output X variable cost per unit of output
- b. total quantity of output / total fixed costs
- c. total fixed costs / total units produced
- d. total quantity of output / variable cost per unit

4. What is variable costing?

1. Accounting policies that change on a regular basis
2. The method that determines the relationship between production and costs
3. The amount a customer is willing to pay for a product
4. The amount it costs to hire employees to sell new products

5. When production increases, what typically happens to variable costs?
- Fixed cost increases, and variable costs remain stable.
  - Variable costs increase.
  - Variable costs decrease.
  - Variable costs are not affected.
6. To what products or services can variable costs apply?
- Variable costs can apply to any product or service that relies on labor or supplies for completion.
  - Variable costs only apply to products.
  - Variable costs apply to all services.
  - There is no connection between products and services and variable costs.

7. Buddy uses the high-low method of estimating costs. Bud had total costs of \$50,000 at its lowest level of activity, when 5,000 units were sold. When, at its highest level of activity, sales equaled 12,000 units, total costs were \$78,000. Bud would estimate variable cost per unit as

- \$10.00
- \$6.50
- \$4.00
- \$7.53

8. ABC company sells shoes for \$450. The variable cost is \$200 per unit. The fixed costs are \$750,000. What is the breakeven in sales dollars?

- \$750,000
- \$937,500
- \$1,350,000
- \$1,687,500