

Assignment 8.11 – Multiple choice (**)

1

Cost concepts:	
A	$TC = VC + FC + \text{depreciation}$
B	$TC = VC + FC + \text{depreciation} + \text{interest}$
C	$TC = VC + FC + \text{depreciation} + \text{interest} + \text{tax}$
D	$TC = VC + FC$

2

Variable costs (VC):	
A	Are always proportional
B	Are usually degressive
C	Are always progressive
D	Can be proportional, degressive or progressive

3

Total costs (TC):	
A	$TC = VU * X$
B	$TC = TU * X$
C	$TC = TU * X + FC$
D	$TC = VU * X + TU$

4

The general cost trend:	
A	MC intersects TC at its minimum
B	MC intersects VU at its minimum
C	TU always downward
D	TC are usually proportional

5

Variable incremental costs:	
A	Pre-production costs are an example of variable incremental costs
B	Variable incremental costs are not relevant to decision-making

	C	Variable incremental costs are a sunk cost
	D	Variable incremental costs mean that VC are horizontal
6	Opportunity costs:	
	A	Opportunity costs consist of the amount that the company has to pay if it opts for one course of action over another (including not doing anything)
	B	Cost estimates in both opportunity and consumption perspectives are always the same
	C	Opportunity costs are sometimes called alternative costs or consumption costs
	D	Opportunity costs are also called reversible costs
7	Outsourcing/in-house production:	
	A	Compare the two alternatives' total costs and choose the one with the lowest TC for the expected production volume
	B	When outsourcing, FC always equals zero
	C	Compare the two alternatives' VU and choose the alternative with the lowest VU for the expected production volume
	D	Outsourcing reflects economies of scale
8	Reversible/irreversible costs:	
	A	For reversible costs, the curve is the same if production rises or falls
	B	Irreversible costs are rare
	C	Reversible costs are always variable
	D	Depreciation is usually reversible
9	Knowledge of costs:	
	A	Is important for planning and controlling costs, pricing, earnings, liquidity and other activities
	B	Is important for planning and managing the accounts and budget

	C	Is important in relation to the stakeholder model
	D	$FU = FC/X + VU/X$
10	Cost concepts TU:	
	A	$TU = FC/X + VU/X$
	B	$TU = FC/X$
	C	$FU = FC/X + VC/X$
	D	$TU = FC/X + VC/X$
11	Costs trends:	
	A	When VU is greater than MC, VU is either rising or falling
	B	When MC is greater than VU, it is automatically greater than TU
	C	MC is negative when costs are degressive
	D	$TC = FU + VU$