**POSTTEST**

**Directions:** Identify the correct answer to each of the following questions. Use a separate sheet of paper to record your responses.

**Objective A**

 1. Which of the following is another name for operating costs: (5 points)

 a. Overhead

 b. Capital expenditures

 c. Fixed expenses

 d. Variable expenses

 2. Which of the following is a true statement regarding operating costs: (5 points)

 a. They are fixed expenses.

 b. They are not directly related to production.

 c. They occur once or twice a year.

 d. Only some businesses have them.

 3. Operating costs are the opposite of (5 points)

 a. utilities.

 b. variable expenses.

 c. fixed expenses.

 d. capital expenditures.

 4. Operating costs that do not increase or decrease with changes in production are called \_\_\_\_\_\_\_\_\_\_ expenses. (5 points)

 a. mixed

 b. semi-variable

 c. fixed

 d. variable

 5. A business’s rent or mortgage is a \_\_\_\_\_\_\_\_\_\_ expense. (5 points)

 a. variable

 b. semi-variable

 c. semi-fixed

 d. fixed

**POSTTEST** (cont’d)

 6. Operating costs that fluctuate with changes in production are called \_\_\_\_\_\_\_\_\_\_ expenses.
 (5 points)

 a. variable

 b. fixed

 c. capital

 d. total

 7. Sales commissions are a \_\_\_\_\_\_\_\_\_\_ expense. (5 points)

 a. one-time

 b. capital

 c. fixed

 d. variable

 8. Operating costs that are fixed until the business reaches a certain level of production and then become variable are known as \_\_\_\_\_\_\_\_\_\_ expenses. (5 points)

 a. fluctuating

 b. unfixed

 c. semi-variable

 d. capital

 9. Considered together, salaries and sales commissions are a (5 points)

 a. semi-fixed expense.

 b. capital expenditure.

 c. direct production cost.

 d. type of payroll tax.

 10. Which of the following is a true statement regarding operating costs: (5 points)

 a. Purchasing a piece of equipment is an operating cost.

 b. They are usually divided into selling expenses and manufacturing expenses.

 c. Some may be considered either fixed or variable.

 d. Businesses spend more on operating costs than production costs.

**POSTTEST** (cont’d)

11. Which of the following operating costs is most likely to be considered fixed by one business and variable by another business: (5 points)

 a. Employee benefits

 b. Depreciation

 c. Travel expenses

 d. Pest control

**OBJECTIVE B**

 12. Most businesses’ approach to operating costs is to (5 points)

 a. keep them as low as possible.

 b. spare no expense on quality.

 c. eliminate them completely.

 d. focus on variable expenses rather than fixed ones.

 13. The sum of the operating and direct expenses required to make a product is its (5 points)

 a. price markup.

 b. total cost.

 c. gross cost.

 d. breakeven point.

 14. A price markup is the difference between how much it costs to make a product and (5 points)

 a. how much employees make.

 b. what was estimated in the budget.

 c. the company’s gross profit.

 d. its selling price.

 15. A business determines how much it costs to make a product—and then adds a predetermined markup to set its selling price. This is an example of (5 points)

 a. cost-based pricing.

 b. price-based costing.

 c. economies of scale.

 d. gross profit.

**POSTTEST** (cont’d)

 16. A business has determined that customers are willing to pay $25 for its product. Managers
attempt to make the product for $15, so the business can make a $10 profit. This is an
example of (5 points)

 a. gross profit.

 b. economies of scale.

 c. cost-based pricing.

 d. price-based costing.

 17. When attempting to reduce costs, most businesses will first cut \_\_\_\_\_\_\_\_\_\_ costs. (5 points)

 a. variable

 b. production

 c. operating

 d. fixed

 18. A business has increased its production as a way to “spread out” its fixed operating costs. The business has created a(n) (5 points)

 a. capital expenditure.

 b. economy of scale.

 c. gross profit.

 d. breakeven point.

 19. The revenue a company makes after subtracting the costs of the products it has sold is called
 (5 points)

 a. commission.

 b. gross profit.

 c. breakeven point.

 d. depreciation.

 20. When total sales equal total expenses, the business (5 points)

 a. has reached its breakeven point.

 b. must cut its operating costs.

 c. will increase its price markups.

 d. has successfully created economies of scale.

**Suggested** Criterion Level: 80 points