**PRACTICE TEST**

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

**Objective A**

1. What are operating costs? (8 points)

2. What is the difference between operating costs and capital expenditures? (6 points)

3. What are fixed expenses? (6 points)

4. Give at least four examples of fixed operating expenses. (16 points; 4 points each)

5. What are variable expenses? (6 points)

6. Give at least four examples of variable operating expenses. (16 points; 4 points each)

7. What are semi-variable costs? (6 points)

**OBJECTIVE B**

8. How does the total cost of a product affect its selling price? (6 points)

9. Describe cost-based pricing. (6 points)

10. Describe price-based costing. (6 points)

11. What are economies of scale? (6 points)

12. What is gross profit? (6 points)

13. What is breakeven point? (6 points)

**Suggested** Criterion Level: 80 points