KEY LEARNING OBJECTIVES - CHAPTER 2
Cost Concepts and Behavior Patterns

After studying and discussing the material in this chapter, the student should develop some insights and understanding of the following issues:

1. The classifying of costs into different types from various perspectives. (See text, page 16 for a listing of the different perspectives discussed in this chapter.)

2. The definition and nature of incremental (or differential costs) and of opportunity costs.

3. How to determine cost of goods sold for a merchandising firm and for a manufacturing companies.

4. The flow of manufacturing costs through a factory and through the three basic inventory accounts.

5. The differences between variable costs, fixed costs and mixed costs.

6. The breakdown of variable costs into “true” variable costs, step-variable, and semi-variable costs.

7. The breakdown of fixed costs into committed fixed costs and discretionary fixed costs.

8. The nature of the relevant range and its significance to the definition of variable and fixed costs.

9. The reasons why “different costs for different purposes” are required when using cost data.*

*Not a specific objective of this chapter, but it should be introduced for the first time during the discussion of this chapter.