KEY LEARNING OBJECTIVES - CHAPTER 6
Cost-Activity Relationships: Cost Driver, Hierarchy & Estimation

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

1. The nature of cost drivers.
2. The relationships between costs and activities based on cost drivers.
3. The differentiation between volume-related measures and activity-related measures to explain variations in overhead costs.
4. The four basic levels of costs within a factory’s cost hierarchy: (1) unit level, (2) batch level, (3) product level, and (4) facility level.
5. The more complex cost functions when a multiple cost hierarchy prevails.
6. A survey of some of the major cost estimation methods.*

Note: The cost estimation methods, which are presented in this chapter, will not be emphasized in this course.