Brief Exercise 1-5

Variable cost: A cost that varies, in total, in direct proportion to changes in the level of activity.

Fixed cost: A cost that remains constant, in total, regardless of changes in the level of activity within the relevant range.

1. X-ray film used in radiology lab – variable cost.
2. Cost of advertising Madonna concert – fixed cost.
3. Rental cost of space occupied by McDonald’s – fixed cost.
4. Electrical costs of running roller coaster – variable cost.
5. Property taxes on local cinema – fixed cost.
6. Commissions paid to salespersons – variable cost.
7. Property insurance on bottling plant – fixed cost.
8. Cost of synthetic materials used to make Nikes – variable cost.
9. Cost of shipping televisions to retail stores – variable cost.