

1. Classification of Costs

- **Marketing campaigns (\$20,000)**
 - **Material, Labour, or Expenses:** *Expenses* (since it's a non-production-related cost for promoting the product)
 - **Fixed, Variable, or Semi-variable:** *Fixed* (the cost remains the same regardless of production volume)
 - **Direct or Indirect:** *Indirect* (marketing is not directly tied to the manufacturing process)
- **Electricity (\$100,000)**
 - **Material, Labour, or Expenses:** *Expenses* (necessary to run the business but not directly part of production materials)
 - **Fixed, Variable, or Semi-variable:** *Semi-variable* (there is a base cost, but it increases with production)
 - **Direct or Indirect:** *Indirect* (it's not a direct production material, but supports the operation)
- **Salaries (\$240,000)**
 - **Material, Labour, or Expenses:** *Labour* (payment to employees)
 - **Fixed, Variable, or Semi-variable:** *Fixed* (salaries generally do not fluctuate based on production levels)
 - **Direct or Indirect:** This could be *Indirect* or *Direct*, depending on whether the salaries are for administrative staff (indirect) or production workers (direct). Since it's unspecified, we assume *Indirect* for administrative roles.
- **Production materials (\$300,000)**
 - **Material, Labour, or Expenses:** *Material* (direct cost of raw materials needed to produce armrests)
 - **Fixed, Variable, or Semi-variable:** *Variable* (cost increases with the number of units produced)
 - **Direct or Indirect:** *Direct* (materials are directly used in the production process)
- **Overhead (\$20,000)**
 - **Material, Labour, or Expenses:** *Expenses* (covers indirect costs like utilities, supplies, etc.)
 - **Fixed, Variable, or Semi-variable:** *Fixed* (overhead costs are generally predetermined)
 - **Direct or Indirect:** *Indirect* (not tied to any specific production activity)
- **Rent (\$24,000)**
 - **Material, Labour, or Expenses:** *Expenses* (cost for leasing facilities)
 - **Fixed, Variable, or Semi-variable:** *Fixed* (rent is a predetermined, non-fluctuating cost)
 - **Direct or Indirect:** *Indirect* (supports overall operations, not directly linked to production)
- **Depreciation of machines (\$10,000)**

- **Material, Labour, or Expenses:** *Expenses* (cost associated with the decline in value of manufacturing equipment)
- **Fixed, Variable, or Semi-variable:** *Fixed* (it doesn't vary with production levels)
- **Direct or Indirect:** *Indirect* (while it relates to production equipment, depreciation is an indirect cost for accounting purposes)

2. Table of A-Design's Costs and Their Classifications

Cost Description	Material, Labour, or Expenses	Fixed, Variable, or Semi-variable	Direct or Indirect
Marketing Campaigns (\$20,000)	Expenses	Fixed	Indirect
Electricity (\$100,000)	Expenses	Semi-variable	Indirect
Salaries (\$240,000)	Labour	Fixed	Indirect
Production Materials (\$300,000)	Material	Variable	Direct
Overhead (\$20,000)	Expenses	Fixed	Indirect
Rent (\$24,000)	Expenses	Fixed	Indirect
Depreciation of Machines (\$10,000)	Expenses	Fixed	Indirect