# **Lesson 1.2 Practice Quiz**

**5/5** points earned (100%)

Excellent!

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Correct

1 / 1 points

1. A company incurs per-unit costs of $11 in variable costs and $4 in fixed costs to produce its main product, which sells for $24. A new customer in the market offers to purchase 2,500 units at $16 each. If the special offer is accepted and produced with unused capacity, what costs are relevant to the decision?

1. $9 per unit or $22,500 in total costs
2. **$11 per unit or $27,500 in total costs**

**Correct Response**

Correct! The fixed costs are irrelevant to the decision, as they are incurred regardless of the additional production.

1. $5 per unit or $12,500 in total costs
2. $15 per unit or $37,500 in total costs

Correct

1 / 1 points

2. Which of the following does not relate to common mistakes made in business decisions?

1. Sunk costs
2. Fixed cost per unit
3. **Total variable costs**

**Correct Response**

Correct! Variable costs are usually straightforward, and, unlike the other items listed, do not usually lead to common mistakes in decisions.

1. Allocated fixed costs

Correct

1 / 1 points

3. In a make or buy decision, which of the following are relevant costs?

1. Manufacturing costs saved
2. Opportunity costs
3. Purchase price of the inputs
4. **All of the above**

**Correct Response**

Correct! All of these items are relevant to make or buy decisions.

Correct

1 / 1 points

4. Robert Company is considering buying an input to its main product from an outside supplier, rather than producing the input itself. If Robert Company purchases the part elsewhere, it can use the capacity currently being used to produce the input to generate additional profit of $22,000.

When considering this decision, Robert Co. managers should:

1. **Consider the $22,000 as a cost of making the input.**

**Correct Response**

Correct! If the company continues to make the product, it gives up the opportunity to generate the $22,000 profit.

1. Consider the $22,000 as a cost of purchasing the input from the outside supplier.
2. Ignore the $22,000.

Correct

1 / 1 points

5. Manufacturing costs saved when considering purchasing – as opposed to producing – an input are irrelevant to the decision.

1. True
2. False

**Correct Response**

Correct! Manufacturing costs saved are relevant, as they differ between decision alternatives.