Sid Freeman has developed a new electronic device that he has decided to produce and market. The production facility will be in a nearby industrial park which Sid will rent for $4,000 per month. Utilities cost will depend on the actual usage of the electricity. He will use his personal computer, which he purchased for $2,000 last year, to monitor the production process. The computer will become obsolete before it wears out from use. The computer will be depreciated at the rate of $1,000 per year. He will rent production equipment at a monthly cost of $8,000. Sid estimates the material cost per finished unit of product to be $50, and the labor cost to be $10. He will hire workers, and spend his time promoting the product. To do this he will quit his job which pays $4,500 per month. Advertising will cost $2,000 per month. Sid will not draw a salary from the new company until it gets well established.   
  
**Required:**  
Complete the chart below by placing an "X" under each heading that helps to identify the cost involved. There can be "Xs" placed under more than one heading for a single cost; e.g., a cost might be a sunk cost, an overhead cost, and a product cost. There would be an "X" placed under each of these headings opposite the cost.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Product Cost** | | |  |  |
|  | Opportunity  Cost | Sunk  Cost | Variable  Cost | Fixed  Cost | Direct  Materials | Direct  Labor | MOH | Selling  Cost | Differential  Cost |
| Equipment  Rent |  |  |  |  |  |  |  |  |  |
| Utilities |  |  |  |  |  |  |  |  |  |
| Computer  Depreciation |  |  |  |  |  |  |  |  |  |
| Materials  Cost |  |  |  |  |  |  |  |  |  |
| Labor Cost |  |  |  |  |  |  |  |  |  |
| Present Salary |  |  |  |  |  |  |  |  |  |
| Advertising  Expenses |  |  |  |  |  |  |  |  |  |