

### Costs

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The (1)\_\_\_\_\_ of production in a business are divided as Fixed costs and Variable Cost. (2)\_\_\_\_\_ are payments that must be made whether or not the business (3)\_\_\_\_\_ any goods. For example, a manufacturer must pay the rent for the factory even if there are no goods produced or sold. Fixed costs are also known as (4)\_\_\_\_\_. Variable costs change in (5)\_\_\_\_\_ proportion to (6)\_\_\_\_\_. For example, a manufacturer must pay for raw materials for every item produced. (7)\_\_\_\_\_ cost varies with the output.

Another approach of dividing business cost is by their type and identifies whether they can be directly related to the final product or service of the business. This is (8)\_\_\_\_\_ and Indirect cost. Direct costs are those costs that can be clearly identified with the product or service being produced. Example includes direct labour, (9)\_\_\_\_\_ and direct expenses. Indirect costs are those that cannot be classified as direct costs. For example salaries given to office staff, (10)\_\_\_\_\_ and maintenance of assets.

costs depreciation direct Direct cost Fixed costs output overheads  
produces raw material Variable

# Key

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### Costs

The costs of production in a business are divided as Fixed costs and Variable Cost. Fixed costs are payments that must be made whether or not the business produces any goods. For example, a manufacturer must pay the rent for the factory even if there are no goods produced or sold. Fixed costs are also known as overheads. Variable costs change in direct proportion to output. For example, a manufacturer must pay for raw materials for every item produced. Variable cost varies with the output.

Another approach of dividing business cost is by their type and identifies whether they can be directly related to the final product or service of the business. This is Direct cost and Indirect cost. Direct costs are those costs that can be clearly identified with the product or service being produced. Example includes direct labour, raw material and direct expenses. Indirect costs are those that cannot be classified as direct costs. For example salaries given to office staff, depreciation and maintenance of assets.