

Name: _____ Date: _____

Chapter 31: Base knowledge worksheet

Full sentence answers are **not** required: SL 26 marks, 26 mins

HL 26 + 2 marks, 28 mins

1 Explain the types of cost stated below. Give examples of each for a frozen pizza company.
(2 + 1) × 5 = 15

- direct costs

- indirect costs

- fixed costs

- variable costs

- marginal costs

2 What is the difference between revenue and cash flow? (2)

3 Define 'contribution'. (2)



4 Louis Desks Ltd makes tables for commercial customers at a price of \$150 each for bulk purchase, \$50 of which covers direct costs. Revenue from current orders will cover overheads but there is spare factory capacity and no more orders for the rest of the year. What quantitative argument could be used to justify accepting an order for 500 desks at a unit price of \$80? (3)

5 Give **two** arguments for and **two** arguments against a business accepting orders at a sales price that does not cover full cost. (4)

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5 **(HL)** What is the difference between a profit centre and a cost centre? (2)