

B-23.01

Evaluate the following and "check off" whether the comment applies to variable costing, absorption costing, or both.

	Variable Costing	Absorption Costing
Generally accepted accounting principles require this method for external reporting.		✓
Includes fixed manufacturing costs as a product cost.		
Variable SG&A is treated as a period cost.		
The cost assigned to ending inventory would be less under which method?		
Increases in inventory will cause income to be higher under which method?		
Results in a measurable value known as "gross profit."		
Results in a measurable value known as "contribution margin."		
Factory depreciation is allocated to inventory.		
Variable factory overhead is allocated to inventory.		