**North East School Division**

**Unpacking Outcomes**

**Module 22: Fixed and Variable Costs (Core)**

|  |
| --- |
| **Unpacking the Outcome**  |
| Evaluate -->factors (to consider for management decisions)  |
| **Outcome**(circle the verb and underline the qualifiers)  |
| Evaluate the factors a manager considers when making management decisions.  |
| **KNOW**  | **UNDERSTAND**  | **BE ABLE TO DO**  |
| Vocabulary:Total costUnit CostVariable costsFixed costsContribution marginBreak even point Sales mix | That: Net income is affected by changes in volume, cost, unit price, and sales.Management must take the data they are given to analyze current operations and plan future operations.Must take the data and compare year to year but also against industry standards.Managers must take financial information from the past to make decisions about future activities. | 1. Discuss factors such as prices of products, volume of sales or production, per unit variable costs, total fixed costs and mix of products sold that a manager considers when making management decisions.
2. Distinguish costs as being fixed or variable and describe how a manager may use this information.
3. Determine a mixed costs analysis using the high-low method and the scatter graph method.
4. Compare an income statement detailing the contribution margin to the traditional income statement and explain how changes in sales levels affect contribution margin and net income.
5. Create an income statement detailing the contribution margin.
6. Define the breakeven point to be when sales revenue is equal to total costs.
7. Calculate the breakeven point in units and sales and discuss how managers would use the breakeven point.
8. Examine how cost-volume-profit (CVP) analysis connects the relationship of product prices, volume or activity levels, variable costs per unit and total fixed costs.
9. Apply the CVP equations (e.g., breakeven sales volume = fixed costs ÷ contribution margin) to analyze various scenarios to determine their application to the contribution approach of an income statement.
10. Analyze various scenarios by applying the CVP equations to determine their application to the contribution approach of an income statement.
11. Define fixed and variable costs and related terms (e.g., cost behaviours, sales revenue contribution margin, contribution approach).
12. Compute and explain how changes in sales levels affect contribution margin and net income.
 |
| **ESSENTIAL QUESTIONS**  |
|  Are we making a satisfactory net income to expand the business?What is our break-even point? |