

<b>Purpose of Classification</b>	<b>Cost Classification</b>	<b>Definition</b>	<b>Example of Costs</b>
<b>Predicting Behaviour</b>	Fixed Costs	A cost that is constant over all levels of production	Manufacturing Overhead, Marketing costs, Administrative costs
	Variable Costs	A cost that changes in proportion to changes in production levels	Raw Materials, Direct Labour Costs
<b>Preparing Financial Statements</b>	Product costs	Costs directly related to producing a product	Raw Materials, Direct Labour, Manufacturing Overhead
	Period costs	Costs that are not product costs and are expensed in the period in which they are incurred.	Marketing costs, Administrative Costs
<b>Assigning Costs to a Cost Object (Department, Activity or Product)</b>	Direct	Cost that can be easily and conveniently traced to a particular cost object.	Could be any cost, is dependent on the cost object.
	Indirect	Cost that cannot be easily and conveniently traced to a particular cost object.	Could be any cost, is dependent on the cost object.
<b>Decision Making</b>	Differential or incremental cost	A cost that is different between two alternatives.	The increase in cost that comes from increased production.
	Opportunity cost	The potential benefit given up when one alternative is chosen over another.	The fun you could be having if you weren't reading this table is an opportunity cost. Sometimes you can't place a dollar amount on it, but it doesn't mean that the cost doesn't exist.
	Sunk cost	Any cost that has already been incurred and that cannot be changed by a decision now or in the future. Should be ignored in decision making	The cost of last night's dinner.