Module 2 Discussion Post

For this module, read **Chapter 4**, and watch the *Module 2 Cost* and *Module 2 Cost Examples* lecture videos.

Then **choose three of the seven questions** below and write a discussion post of ~**500 words**. You do not need to answer all seven. Pick the three you find most interesting. Answer in your own words. A good post shows you understand the concept well enough to explain it to someone who has not watched the lecture, and uses an example wherever you can from your own experience or an organization you know.

Questions (pick three)

1. **Direct and indirect costs.** What makes a cost direct or indirect? Using the hospital example (or other examples) from the lecture, explain why the same cost can be direct at one level of analysis and indirect at another. Why does identifying the cost objective have to come first?
2. **Allocating indirect costs.** What is the difference between the direct distribution method and the step-down method? In the lecture's example, changing the order of allocation changed what each department was charged while the organization's total stayed at $855,000. What does that tell you about cost allocation as a management decision rather than a purely technical one?
3. **Fixed, variable, and step-fixed costs.** Distinguish fixed, variable, mixed, and step-fixed costs. Step-fixed costs are the interesting case — describe a situation in an organization you know where a cost stays flat for a while and then jumps, and explain what that means for a manager deciding whether to serve more people.
4. **Average vs. marginal cost.** What is the difference between average cost and marginal cost? Give an example of a decision that should be made on marginal cost rather than average cost, and explain why using the wrong one would lead a manager to the wrong conclusion.
5. **Break-even analysis.** Explain why the break-even quantity equals fixed cost divided by the contribution margin. Walk through the reasoning rather than just stating the formula, and explain in plain language what the contribution margin represents.
6. **Weighted contribution margin.** When an organization serves groups with different prices or different costs, a single contribution margin will not do. Using the Feed-A-Child three-region example from the lecture (or other example), explain why a weighted margin is needed and what would go wrong if you used a simple average instead.
7. **Economies of scale.** Why does average cost fall as the number of service units rises? Where does that stop being true, and what does that imply for an organization deciding how much

to grow?

Also include

Close your post by noting, in a sentence or two, which part of the reading or lecture you found most difficult, or what question you still have.

Responding to classmates

After posting, respond to **at least one classmate's post** with a thoughtful reply that adds to the discussion. Where you can, reply to someone who answered a question you did not choose.

A note on AI

These questions check your own understanding of the assigned reading and lecture. Do **not** use AI tools to generate your post. If a concept is not clear after the reading and the videos, say so in your closing note and ask about it.