

Worksheet: Matching Definitions with Cost Terms

Instructions: Below are six cost-related terms and six definitions. Match each term to its correct definition, then provide an example for each term.

Terms:

1. Cost
2. Actual Cost
3. Budgeted Cost
4. Cost Object
5. Direct Cost
6. Indirect Cost

Definitions:

- A. The projected or planned amount of spending for a specific purpose over a period. Companies set these figures based on goals or anticipated financial needs.
- B. Any item (e.g., product, department, project, or customer) for which separate measurement of costs is desired. It's what the company wants to understand the costs for.
- C. The real, historical amount spent on a particular resource or service. This amount may vary from the planned amount.
- D. The monetary value spent to acquire goods, services, or resources. This term is broad and can refer to any expenditure needed for a business to operate.
- E. Costs that can be directly traced to a specific product, department, or project. These are directly linked to the cost object and vary with production volume.
- F. Costs that cannot be traced to a single product or department and typically benefit multiple areas. These costs are allocated across the organization and often remain stable regardless of production levels.

Matching Activity:

Write the correct letter (A, B, C, D, E, or F) next to each term.

- Cost: _____
- Actual Cost: _____
- Budgeted Cost: _____
- Cost Object: _____
- Direct Cost: _____
- Indirect Cost: _____