

ASSESSMENT QUESTIONS

Chapter 1: Costing Basics

True or False

Identify whether the following statements are true or false and circle the correct answer.

- T F 1. The abbreviation for **COGS** means Cost of Goods Sold.
- T F 2. Post-production costing is an evaluation of a preliminary estimate of costs and is calculated based on the first sample estimates.
- T F 3. Post-production costing is also referred to as actual cost, and it displays the actual production costs after a style is produced, shipped, and sold.
- T F 4. Pre-production costing is a preliminary estimate of costs and is calculated based on the first sample estimates, as well as on the cost of fabric, trims, labor, shipping and duty fees.
- T F 5. Production costing is alternately called the final cost, standard cost, or determined cost and includes overhead, transportation costs, duties and customs clearance.

Multiple Choice

Select the best response.

- 1. The abbreviation for **PLM** means
 - a. Production Lifestyle Merchandising
 - b. Product Lifestyle Management
 - c. Professional Lifecycle Management
 - d. Product Lifecycle Management
- 2. The abbreviation for **CMT** means
 - a. Cut, Mark, Trim
 - b. Create, Mark, Trim
 - c. Cut, Make, Trim
 - d. None of the above
- 3. The three stages of costing occur in the following order

- a. Pre-production, post-production, and production costing
 - b. Pre-production, production, and post-production costing
 - c. Production, pre-production, and post-production costing
 - d. All of the above
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- 4. A set of pages with information and detailed specifications for the style is also known as
 - a. Costing package
 - b. Technical package
 - c. Tech bundle
 - d. All of the above
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- 5. If you need to reduce your fabric costs, you can achieve this by implementing the following solutions:
 - a. Use less yardage and reduce the yield of overall fabric needed
 - b. Switch your fabric quality to a less expensive material for your garment
 - c. Negotiate pricing with your vendor or find another vendor who offers less expensive materials
 - d. All of the above

ASSESSMENT QUESTIONS

Chapter 2: Traditional Costing

True or False

Identify whether the following statements are true or false and circle the correct answer.

- T F 1. The term “keystone” means a markup goal of 60 percent.
- T F 2. The main goal when creating a marker is to minimize fabric waste.
- T F 3. Finishing processes are the final factor that goes into the First Cost
- T F 4. To find your Markup Dollars, you must subtract your Cost Price from the Selling Price.
- T F 5. The same sample size will be used throughout the line to ensure consistency in both size and cost

Multiple Choice

Select the best response.

- 1. Direct labor costs include the following procedures
 - a. Pattern Making
 - b. Grading
 - c. Sewing
 - d. All of the above
- 2. A size scale is the ratio used during manufacturing to produce the following
 - a. Different quantities based on size
 - b. Different styles based on costing
 - c. Similar quantities based on colors
 - d. None of the above
- 3. The First Cost of a style is based on
 - a. Fabrics + Trim
 - b. Trims + Labor
 - c. All Materials + Labor
 - d. None of the above

4. The meaning of fabric yield is
 - a. The total fabric scraps and wastage used to make one style
 - b. The pricing to produce fabrics at the mill level needed to make one style
 - c. The total fabric consumption amount required to make one style
 - d. None of the above

5. The abbreviation for SAMs is the following
 - a. Standard allowed moments, which is determined and multiplied by the sewers average wage
 - b. Subsidized allowed minutes, which is determined and divided by the sewers total wage
 - c. Subsidized allowed minutes, which is determined and multiplied by the sewers average wage
 - d. Standard allowed minutes, which is determined and multiplied by the sewers average wage

ASSESSMENT QUESTIONS

Chapter 3: Global Sourcing Production and Costing

True or False

Identify whether the following statements are true or false and circle the correct answer.

- T F 1. The abbreviation of PLM stands for Product Lifestyle Management.
- T F 2. The FOB price includes all duties, taxes and freight fees.
- T F 3. Duties are taxes and fees imposed on goods produced outside of the home country and imported into the home country.
- T F 4. Freight forwarding fees are added within your First Cost.
- T F 5. Many fashion apparel brands have moved their production overseas to countries such as Sri Lanka, China, and Vietnam in order to achieve lower costs and reduce their retail pricing.

Multiple Choice

Select the best response.

- 1. Sourcing agents collect fees for overseeing:
 - a. Sourcing production with factories
 - b. Procuring materials and communicating
 - c. Quality assessment and troubleshoot any crises
 - d. All of the above
- 2. In order to calculate LDP, you must add _____ to your FOB:
 - a. labor costs
 - b. trim costs
 - c. miscellaneous costs
 - d. notion costs
- 3. An SKU, or Stock Keeping Unit, is identified by
 - a. The amount of styles multiplied by the amount of colors in a collection

- b. The amount of sizes multiplied by the amount of colors in a style
 - c. The amount of sizes multiplied by the amount of styles in a collection
 - d. The amount of colors multiplied by the first cost in a style
4. There are advantages of using a foreign country with lower labor costs like India to produce your garments, however a disadvantage would be:
- a. The amount of units to order with the factory may have high minimum orders
 - b. Errors may occur due to language barriers
 - c. Long lead times, possible delays in shipping and added transportation fees
 - d. All of the above
5. Which of the following costs would be considered part of the Total Miscellaneous Cost?
- a. Buttons
 - b. Duties
 - c. Sewing
 - d. None of the above

ASSESSMENT QUESTIONS

Chapter 4: The Factors of Costing

True or False

Identify whether the following statements are true or false and circle the correct answer.

- T F 1. A Bill of Materials lists out all the different activities separately by the number of minutes or hours it takes to complete each task.
- T F 2. Direct costs are tangible items, services, or expenses that can be listed and tallied.
- T F 3. Variable costs differ depending on the season and order size, as well as the complexity of the style or product.
- T F 4. Fixed costs change frequently and vary from month to month or order to order for each season's production.
- T F 5. Examples of indirect cost factors include office, manufacturing, and factory overheads such as rent, utilities, equipment purchases, and repairs.

Multiple Choice

Select the best response.

- 1. BOM means:
 - a. Bill of Measurements used to keep track of the measurements used to create fabrics, trims, notions and packaging for each style
 - b. Bill of Materials used to keep track of the measurements used to create fabrics, trims, notions and packaging for each style
 - c. Bill of Minutes used to keep track of the minutes used to create fabrics, trims, notions and packaging for each style
 - d. Bill of Materials used to keep track of the assortment of fabrics, trims, notions and packaging for each style
- 2. Examples of fixed costs would be:
 - a. Employee benefits, utilities, administrative costs, and insurance
 - b. Office supplies, company car payments, equipment, and machinery
 - c. Office and warehouse rents, payroll and payroll taxes
 - d. All of the above

3. All direct labor activities required to produce a style are listed on the _____.
 - a. Bill of Materials
 - b. Bill of Labor
 - c. Startup Expenses Worksheet
 - d. Tech Pack

4. A tech pack is the following
 - a. Technical package of expenses and software updates needed for a style to be produced.
 - b. Technology packet of detailed set of written and illustrated pages with garment specifications for a style to be produced.
 - c. Technology package of expenses and software updates needed for a style to be produced.
 - d. Technical package of detailed set of written and illustrated pages with garment specifications for a style to be produced.

5. Examples of activities listed on a BOL are
 - a. Direct labor activities like shipping and freight, which are required to produce a style listed called the Bill of Labor.
 - b. Direct labor activities like buying fabric and trims, which are required to produce a style listed called the Bill of Labor.
 - c. Direct labor activities like sewing and cutting fabric, which are required to produce a style listed called the Bill of Labor.
 - d. None of the above

ASSESSMENT QUESTIONS

Chapter 5: Activity-Based Costing

True or False

Identify whether the following statements are true or false and circle the correct answer.

- T F 1. Activity-based costing is a method which assigns a monetary value to each and every production activity and overhead expense.
- T F 2. Setting up two dozen sewing machines with thick needles and heavy-weight thread for a large jean-sewing order is not an example of an activity that would benefit by activity-based costing.
- T F 3. Product development costs are fixed costs.
- T F 4. Product Development loading helps cover the money that was spent on research, design, inspiration, and development for the styles that did and did not make it on the line.
- T F 5. To calculate what was spent on a manufacturing activity, you multiply time by hourly rate.

Multiple Choice

Select the best response.

- 1. Which of the following is not a product development expense:
 - a. Creating line sheets and tech packs
 - b. Sourcing fabric and trims
 - c. Cutting and sewing the order
 - d. Selecting the colors for the line
 - e. All are product development expenses
- 2. Activity-based costing is the following
 - a. Applied when material and direct labor costs have been reduced, but profits are still low.
 - b. A method that places each indirect activity, duty, and cost into categories for greater precision in costing management.
 - c. Complex because it is data- and time-intensive

- d. All of the above
- e. None of the above

3. Activities that are included in manufacturing and often are omitted from the cost sheet, such as material handling, sewing machine set up, and unpacking hangers are:

- a. Fixed costs
- b. Direct costs
- c. PD expenses
- d. Tracked in ABC costing
- e. Listed as Miscellaneous on a cost sheet

4. Which statement is false?

- a. ABC allows a company to dig into the hidden costs and shows where less obvious cost-cutting can occur.
- b. ABC allow for less visibility in overhead and indirect costs
- c. ABC can help a company increase its profits.
- d. PD is an activity pool in ABC
- e. All are true

5. Why are companies beginning to add PD expenses to their cost sheets?

- a. PD costs have risen and profits have declined.
- b. It makes for more accurate pre-production costing
- c. Because PD costs are guesstimates.
- d. Because more companies are producing overseas
- e. Because ABC is growing in popularity

ASSESSMENT QUESTIONS

Chapter 6: Target Market and Private-Label Pricing

True or False

Identify whether the following statements are true or false and circle the correct answer.

- T F 1. A formula to find your first cost from the intended wholesale price and intended markup how would be **W/S price x (100% - MU%) = First Cost (FC)**
- T F 2. Value-based pricing is when the desired retail price is first identified, and then one works backward from that price to determine what the product should cost
- T F 3. Brands do not need to factor in their direct and indirect expenses or overhead costs when creating their target selling pricing strategies
- T F 4. In order to plan a pricing strategy, your brand must examine your target customers demographics, geographical location, and purchasing behaviors.
- T F 5. In terms of value, customers generally are willing to accept the low quality of a fast fashion item because the price is also low.

Multiple Choice

Select the best response.

1. Cost-based costing, where one starts with the
- a. Retail price and works backwards to figure out the target cost price.
 - b. Cost of the product and works forward from the costs. They then add the markups to arrive at a retail price.
 - c. Wholesale price and then moves forward with adding markups to find the retail price.

- d. None of the above
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- 2. In order to come up with a pricing strategy, merchandisers and designers must
 - a. Review their past pricing strategies
 - b. Evaluate target market of their brand
 - c. Analyze the competition and their pricing
 - d. All of the above
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- 3. Status pricing or premium pricing is used to target
 - a. Customers that have been conditioned to purchase on sale
 - b. Affluent or aspirational customers.
 - c. Customers that are making purchases based on value and everyday low pricing.
 - d. All of the above
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- 4. When a brand sets the price lower than the competitor with the hopes it will make up the price difference with a high sales volume, this is an example of
 - a. Value-based pricing strategy
 - b. High-low pricing strategy
 - c. Penetration pricing strategy
 - d. Premium pricing strategy
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- 5. Private-label retailers are able to achieve a higher markup strategy because they
 - a. Implement a wholesale pricing strategy of selling to a department store at a wholesale price

- b. Implement a pricing strategy that sells directly to the consumer within their own stores
- c. Both a and b are true
- d. Both a and b are false

ASSESSMENT QUESTIONS

Chapter 7: Margins, Markups, and Markdowns

True or False

Identify whether the following statements are true or false and circle the correct answer.

- T F 1. To calculate margin, divide profit amount by retail selling price.
- T F 2. Due to the uncertainty of successful sales on all styles, a markdown/close-out percent is added to a cost sheet.
- T F 3. Margins and markups measure profits in similar ways.
- T F 4. Garment styles generally hit the sales rack one to two weeks after arriving on the selling floor or online.
- T F 5. It is unnecessary to recost returning styles.

Multiple Choice

Select the best response.

- 1. Which statement is false?
 - a. Markups are always higher than margins.
 - b. A 100 percent markup equals a 50percent margin.
 - c. Markup is the difference between cost and selling price.
 - d. Companies choose one definitive markup percent to add to every style.
 - e. All statements are true.
- 2. If you charge \$20/hat for your new line of hats and it costs you \$12 to produce each hat, what is your margin?

- a. 4 percent
- b. 20 percent
- c. 40 percent
- d. 80 percent

3. What risk does a new company face with a consignment deal?

- a. Unsold merchandise may not be returned.
- b. Payment is not guaranteed.
- c. The profit margin must be decreased
- d. All statements are true.

4. A markdown percentage may be added to a cost sheet for what reason?

- a. To differ costs of expansion.
- b. To alleviate pressure from encroaching competition.
- c. Because the market is oversaturated with your product.
- d. Because items are left over after the initial selling period or season.

5. A brand has recently introduced a new line of colors for their secondary product while still maintaining prices on their flagship product. What phase might their flagship product be at the end of

- a. Introductory phase
- b. Growth phase
- c. Maturity phase
- d. Decline phase.

ASSESSMENT QUESTIONS

Chapter 8: Ways to Cut Costs

True or False

Identify whether the following statements are true or false and circle the correct answer.

- T F 1. In general, the greater the number of material components, the greater the labor cost.
- T F 2. Cost-cutting to arrive at a low price allows for a potentially badly made garment that may be returned to the store.
- T F 3. Fewer SAMs equals more money.
- T F 4. Vendors have set prices.
- T F 5. Seam strength, launderability, and colorfastness are dealt with by the manufacturer.

Multiple Choice

Select the best response.

- 1. How long is 5.5 SAMs?
 - a. 5.5 seconds.
 - b. 5.5 minutes.
 - c. 5.5 seasons.
 - d. 5.5 seams.
- 2. A shirt is marked down 50 percent and now sells for \$20. Roughly how much did the fabric originally cost?
 - a. \$1
 - b. \$3
 - c. \$5
 - d. \$10
- 3. Which design will be the cheapest to produce?
 - a. Three machine-printed colors, no trim.
 - b. Three dyed colors, no trim.
 - c. Two dyed colors, salvaged buttons.

d. Two dyed colors, mother of pearl buttons.

4. Which is not a cost-cutting method:

- a. Negotiation
- b. Markdowns
- c. Making a style shorter
- d. Changing from eight to six buttons

5. What parts of creating samples adds to cost?

- a. Shopping at designer stores to find inspiring details
- b. Creating tech packs
- c. Fitting the samples on a fit model
- d. Costing the garment and brainstorming with team members on ways to cut costs
- e. All of the above

ASSESSMENT QUESTIONS

Chapter 9: Costing for Today's Changing Market

True or False

Identify whether the following statements are true or false and circle the correct answer.

- T F 1. All sustainable practice costs are fixed costs.
- T F 2. Markup is added after the costs for sustainable/ethical programs is added.
- T F 3. Unplugging the printer when not in use or turning off lights in the showroom when no buyers are present are ways to reduce costs.
- T F 4. An environmental profit and loss statement illustrates the environmental impacts of products.
- T F 5. Eco-loading is a way to have the customer share in paying for the environmental and social impacts of their purchase.

Multiple Choice

Select the best response.

- 1. An all-inclusive cost sheet includes
 - a. Direct Factory Sourcing
 - b. Expenses for sustainability programs
 - c. Product Development
 - d. Markdown %
 - e. All of the above
- 2. Externalized costs are:
 - a. Costs of producing goods that others outside of the company pays.
 - b. Costs that occur outside of the factory
 - c. Labor costs by at-home artisans
 - d. All of the above

3. Eco-loading:

a. Ensures that the purchase of an item helps pay for programs that will improve social and environmental degradation

b. Ensures renewal energy is used across the supply chain

c. Is an Incoterm

d. Is a direct cost

4. Sustainably-run companies:

a. Know that there are added costs to implementing ethical programs

b. Will profit after five to ten years

c. Inspect every mill and factory often

d. None of the above

5. Companies are inspired to create socially and environmentally responsible programs by the

a. Triple bottom line strategy

b. The 17 U.N. SDGs

c. Changing climate

d. All of the above