*The Better Chair Company is a large furniture designer, manufacturer, and retailer headquartered in Country X. The company has just started manufacturing a new premium lounge chair at its new production division in Country X. The company also plans to internally sell the chair to its overseas retail division in Country Y. Additionally, the company is considering another new product, an ottoman. You have been hired as a consultant to help the new divisional management team make some decisions affecting these products by using managerial accounting information. You have also been asked to explain to them how this information can be utilized to make good managerial decisions. You are to provide your findings and recommendations in a series of three business reports, to be submitted during the next 3 weeks.

\*\*\*\*\*\*INSTRUCTIONS\*\*\*\*

Sunk Costs, Opportunity Costs, and Accounting Costs – Fixed and Variable
After your initial meeting with the management team members and assessing their level of experience with managerial accounting, you have decided to provide some starting information on the various types of costs utilized in managerial accounting. Your purpose for providing this information is to give the necessary context to the new management team to enable them to fully understand the accounting information and recommendations you will provide in your final report. Be sure to address the following:

1. Explain sunk cost, opportunity cost, and accounting cost, and provide three examples of each.

2. Explain how each of these costs relates to developing managerial accounting information required for decision making.

3. Summarize why a manager should understand these concepts, providing an example to support your rationale.

4. Explain the differences between fixed and variable costs and provide three examples of each type of cost.

5. Summarize the importance for managers to classify these costs correctly, including how the correct classification can inform decision making.*