

Independent Practice: Cost of Production

Student Name: _____

Date: _____

Directions: Read the following description of the operations of Sector 9 Skateboards, a multimillion-dollar skateboard company started in an old storage shed in San Diego. Write each production cost term or phrase in bold from the reading in the appropriate costs of production category in the chart below.

You could be forgiven for not taking Rasheed Wallace seriously when you first meet him. His colorful Mohawk hairdo and heavily tattooed arms suggest skate punk more than savvy businessman. Yet a savvy businessman is exactly what he is. Twelve years ago, Rasheed, long a fixture in the Venice Beach skateboarding community, decided to launch his own brand of skateboards—Natural Sticks. Made from **sustainably harvested wood** and environmentally friendly **polymers, resins, and paints**, Natural Sticks slowly became a hit among the almost 12 million skateboarders in the United States. Easily recognized by the **signature graffiti artwork** that adorns the top and bottom of each deck, Natural Sticks are now sold in all 50 states and 11 other countries across the globe.

It wasn't always this easy. In the beginning, Rasheed did everything. He purchased the **power tools** necessary to cut and shape each board and stocked up on **materials**. He made the boards, **shipped** them to customers, and responded to all inquiries about the company. Even before he was sure he had a real business, he **rented the workshop**, paid the **electricity and phone bill**, and even found time to drive to contests and other events in order to **market his brand**.

It was hectic and often super stressful, but it all paid off. By his second year in business, he was making enough money to hire an **assistant** and pay for an **accountant** to do his taxes. By year three, he had gotten so busy that he hired **two workers** to help handle the skateboard production workload. The next year, he ran out of space in his workshop and moved to a **new location** three times the size of his old place. At the same time, he invested in **new tools** to increase productivity and in the hiring of an **office/sales manager** for additional back-office help. He also launched **a website** on which he marketed his boards directly to customers across the United States.

The final sign that Natural Sticks had formally arrived as the new kid on the skateboarding block came later that same year when Rasheed spent nearly \$20,000 **sponsoring the very first Venice Beach Open Skateboarding Championship**. The contest was a huge success and put Natural Sticks on the skateboarding map. To commemorate the achievement, Rasheed tattooed his two-year-old daughter's name across his shaven skull, right above the tattoo that was already there—Natural Sticks.

Fixed Cost	Variable Cost
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.
6.	6.
7.	7.
8.	8.
9.	9.

NOTES: