Private class, Small Course, Online course:@Knockout.economics

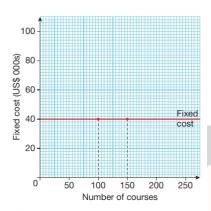
Unit 27

Costs

1. Type of costs?

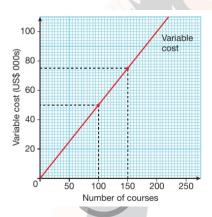
1.1 Fixed costs: costs that do not vary with the level of output in short run

For example: Rent, Insurance, Interest payment, etc.

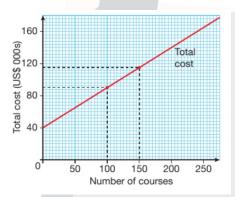


1.2 Variable costs: costs that do vary with the level of output

For example: Raw material, Packaging cost



1.3 Total costs: Fixed cost + variable cost



No part of this resource may be reproduced, distributed, or transmitted in any form by any means for non-personal use without the prior written permission from Knockout. Economics

2. Average cost

: is the cost of producing a single unit of output. The formula for calculating average cost is given by

Average cost = <u>Total cost</u> Quantity produced

3. Total revenue

: Money generated from the sale of output. It is price multiplied by quantity.

Total revenue = Price per unit x Quantity

4. Calculating profit

: The difference between total revenue and total costs

