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*Shaping Lives...
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TOTAL COST: FIXED AND VARIABLE

Dr. Madhumita Das



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Total Cost

- Total cost represents the lowest total rupees expense needed to produce each level of output q .
- TC rises as q rises.
- Always, by definition,
- $TC = \text{Fixed Cost} + \text{Variable Cost}$



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Fixed cost

- Fixed cost represents the total rupees expense that is paid out even when no output is produced
- Fixed cost is unaffected by any variation in the quantity of output
- Sometimes called “overhead” or “sunk costs,” they consist of items such as rent for factory or office space, interest payments on debts, salaries of tenured faculty, and so forth.



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Variable cost

- Variable cost represents expenses that vary with the level of output—such as raw materials, wages, and fuel—and includes all costs that are not fixed
- Examples include materials required to produce output (such as steel to produce automobiles), production workers to staff the assembly lines, power to operate factories, and so on



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Fixed, Variable, and Total Costs

(1) Quantity q	(2) Fixed cost FC	(3) Variable cost VC	(4) Total cost TC
0	55	0	
1	55	30	
2	55	55	
3	55	75	
4	55	105	
5	55	155	
6	55	225	

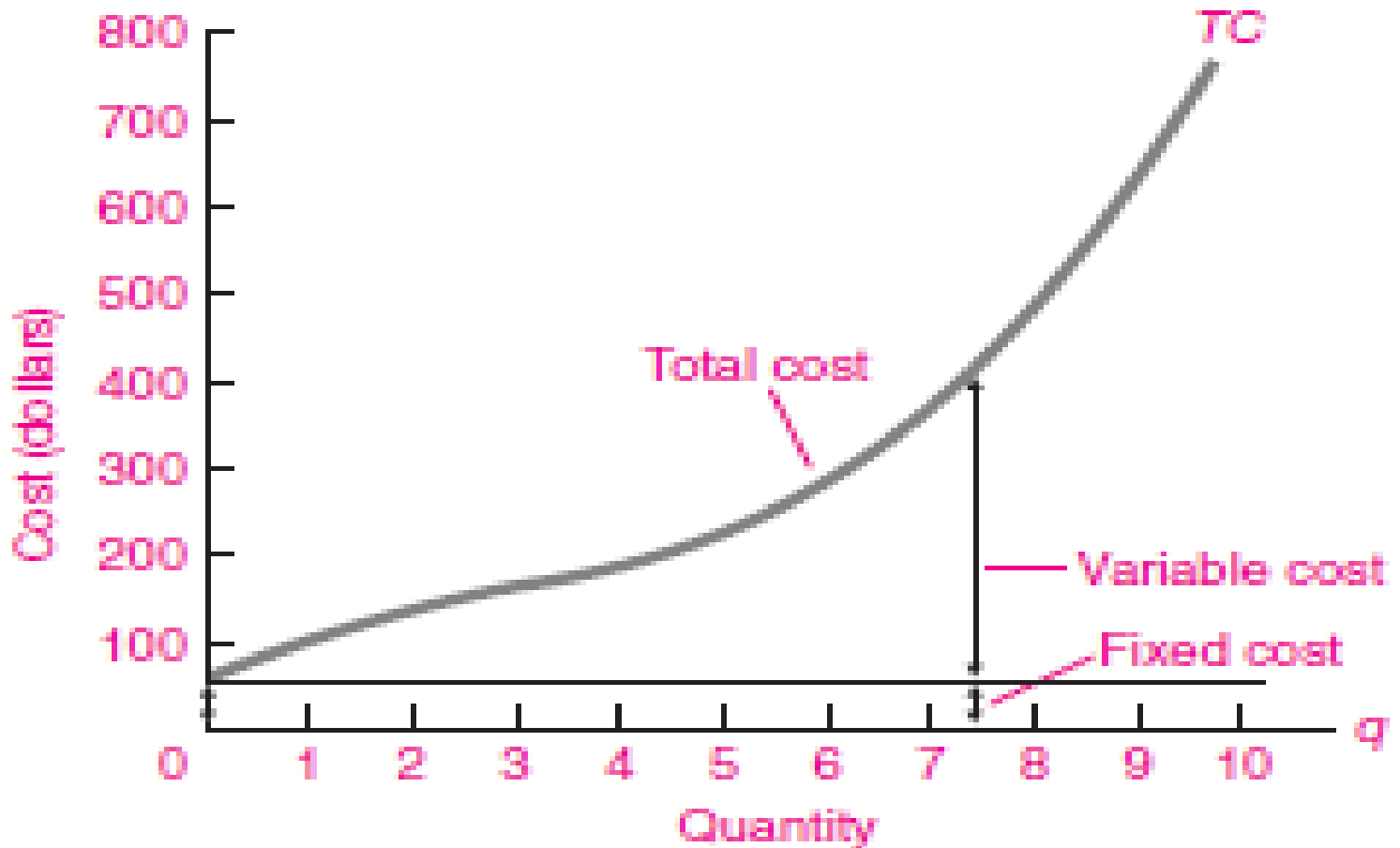


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Total, Fixed and Variable Cost

(a) Total, Fixed, and Variable Cost





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Happy Learning

