

COST BEHAVIOR

	FOR ANY LEVEL OF ACTIVITY	
	Per Unit Cost	Total Cost
	Stays the Same	Changes
	Changes	Stays the Same

Variable Costs examples:

Direct materials, Direct labor, supplies

Fixed Cost examples:

Rent, straight-line depreciation, salaries, interest on long-term debt

VC = Variable Cost

FC = Fixed Cost

MC = Mixed Cost (AKA Semivariable costs or fixed costs)

TC = Total Cost

x = Activity Level

COST FORMULA

the slope-of-the line formula.) $y = mx + b$

In accounting it becomes

$TC = VC \text{ Per Unit } (x) + FC \text{ total}$

Example:

VC per unit is \$2.00

FC is \$15,000

Produce 10,000 units

What is the total cost? $TC = \$2(10,000) + \$15,000$

$TC = \$35,000$