

**Understanding total costs**

To make a profit total revenue must be greater than total costs.

Total costs are made up of:

|  |  |
| --- | --- |
| Fixed costs | Variable costs |
| Explanation: | Explanation: |
|  |  |
| Examples: | Examples: |
|  |  |

The formula for total variable costs is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

The formula for total costs is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Numerical example:**

* Fixed costs = £100 000
* Variable cost = £50 per chair



|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 0 |  | 500 |  | 1000 | 1500 | 2000 |

FC

TVC

TC



£

Cost

Output

www.time2resources.co.uk <https://youtu.be/CJEkTyj_3Fg>