

Calculating total costs

- 1 (a) Complete the following formula to show how the variable cost figure is calculated using **one** of the choices from the box below. (1 mark)

Variable costs = cost of one unit Number of units produced

Cost of one unit	Sales revenue
Fixed costs	Cost of ten units

- (b) If one unit costs £5 and 50 units are produced, calculate the total variable cost. (1 mark)

$5 \times 50 = £250$

Guided

- 2 Complete the formula below for total costs by choosing the correct words and inserting them in the right place. (1 mark)

Start-up costs	Fixed costs	Running costs	Variable costs
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Total costs = Fixed costs + Variable costs

- 3 A business has the following monthly costs.

Fixed costs	£400
Variable costs	£10 per item

- (a) What are the variable costs if they make 100 items? (1 mark)

$10 \times 100 = £1,000$

- (b) What is the fixed cost if they make 100 items? (1 mark)

$£400$

Think about the definition of fixed costs before you answer this question and the next!

- (c) What are their total costs if they increase production to 200 items a month? (1 mark)

$10 \times 200 = £2,000 + £400 = £2,400$