<http://economics.about.com/cs/studentresources/a/costs.htm>

**Fixed Cost**Fixed costs are the costs that are independent of the number of goods you produce, or more simply the costs you incur when you do not produce any goods. We see from our chart that when we produce zero goods our costs are 130. So our fixed cost of production is 130.

**Total Variable Costs**These are just the opposite of fixed costs; these are the costs that do change when we produce more. We calculate the total variable cost of producing 4 units by:

*Total Variable Cost of Producing 4 units = Total Cost of Producing 4 Units – Total Cost of Producing 0 units.*

In our case it costs us 840 to produce 4 units and 130 to produce 0. Then our total variable costs when we produce 4 units is 710 since 810-130=710. Similarly our total variable costs when we produce 5 units is 1070.

**Average Total Costs**Our average total cost is our fixed costs over the number of units we produce. So if we produce five units our formula is:

*Average Total Cost of Producing 5 = Total Cost of Producing 5 units / Number of Units*

With our data we have an average total cost of producing five units of 200, as the total cost of producing five units is 1200 and 1200/5 = 240. The average total cost of producing four units is 210 as 840/4 = 210.

**Average Variable Costs**As you might have guessed, our formula for average variable costs is:

*Average Variable Cost = Total Variable Costs / Number of Units*

We saw that the total variable cost of producing four units is 710 and 870 for six units. Then the average variable cost of producing four units is 177.5 (710/4) and the AVC of producing five units is 214 (1070/5).