

## Fixed, Variable, & Step Costs

Activity Level (Q)	Fixed Cost (FC)	Unit Variable Cost (UVC)	Variable Cost (VC)	Step Cost (SC)	Total Cost = FC + VC + SC	Average Cost = TC/Q
50	\$250,000	\$1,000	\$50,000	\$100,000	\$400,000	\$8,000
70	\$250,000	\$1,000	\$70,000	\$150,000	\$470,000	\$6,714
90	\$250,000	\$1,000	\$90,000	\$200,000	\$540,000	\$6,000
109	\$250,000	\$1,000	\$109,000	\$250,000	\$609,000	\$5,587
110	\$250,000	\$1,000	\$110,000	\$250,000	\$610,000	\$5,545

Based on the Activity Levels the Fixed Cost, Unit Variable Cost, Variable Cost, and Step Costs are defined

Marginal Cost: As activity level moves from 109 to 110, an increase of 1, demonstrates marginal cost.

The total cost of 109 is \$609K and the total cost of 110 is \$610K, a \$1,000 difference. Thus the marginal cost is \$1,000, which is much less than the average cost of \$5,545 (includes part of the fixed costs)

