



# Cost Function

We can measure the accuracy of our hypothesis function by using a **cost function**. This takes an average difference (actually a fancier version of an average) of all the results of the hypothesis with inputs from  $x$ 's and the actual output  $y$ 's.

$$J(\theta_0, \theta_1) = \frac{1}{2m} \sum_{i=1}^m (\hat{y}_i - y_i)^2 = \frac{1}{2m} \sum_{i=1}^m (h_{\theta}(x_i) - y_i)^2$$

To break it apart, it is  $\frac{1}{2} \bar{x}$  where  $\bar{x}$  is the mean of the squares of  $h_{\theta}(x_i) - y_i$ , or the difference between the predicted value and the actual value.

This function is otherwise called the "Squared error function", or "Mean squared error". The mean is halved ( $\frac{1}{2}$ ) as a convenience for the computation of the gradient descent, as the derivative term of the square function will cancel out the  $\frac{1}{2}$  term. The following image summarizes what the cost function does:

