



Average Fixed Cost = FC/Q







$Q = 100$

$$Q_2 = 10,000$$

14





1,400

AFC

Average Orders for Fixed Price Costs

For $Q=100$

$AFC = 1,400$

For $Q=10,000$

$$AFC = 14$$

$$\text{AFC} = 140,000 / 10,000 = 14$$

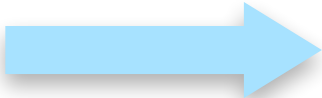
$$\text{AFC} = 140,000 / 1,000 = 140$$

140

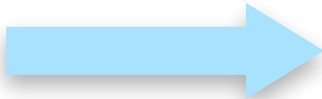
$Q = 1,000$



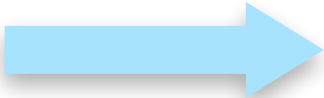
$Q = 1,000$



$Q = 10,000$




$Q=100$

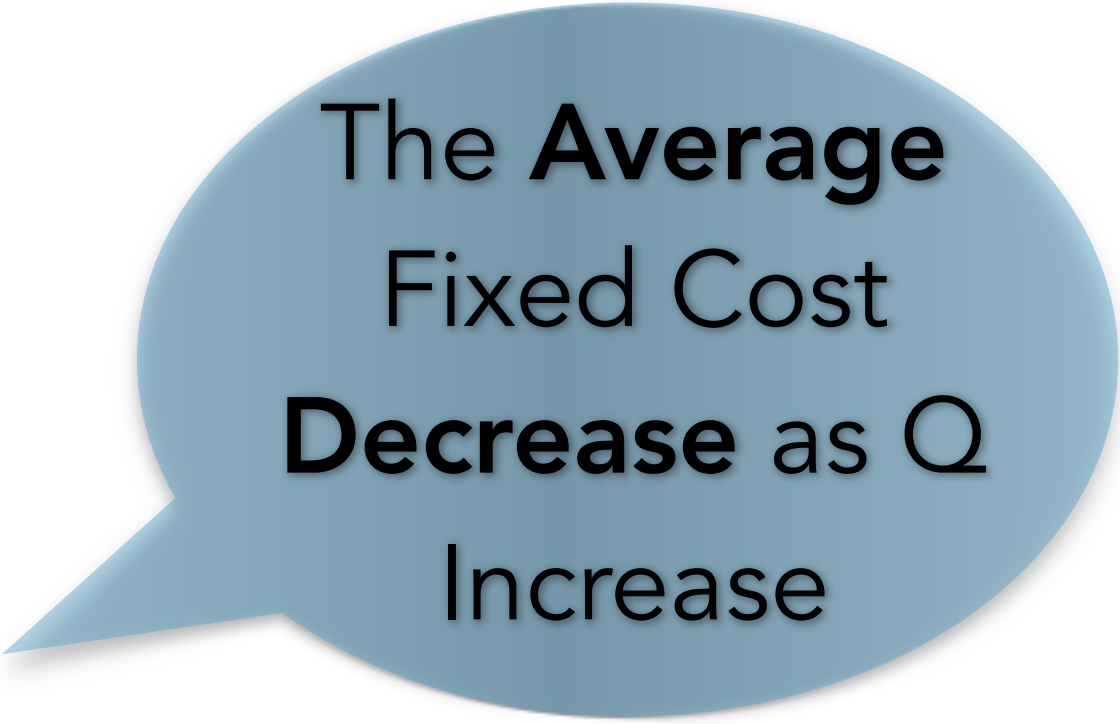


$$\text{AFC} = 140,000 / 100 = 1,400$$

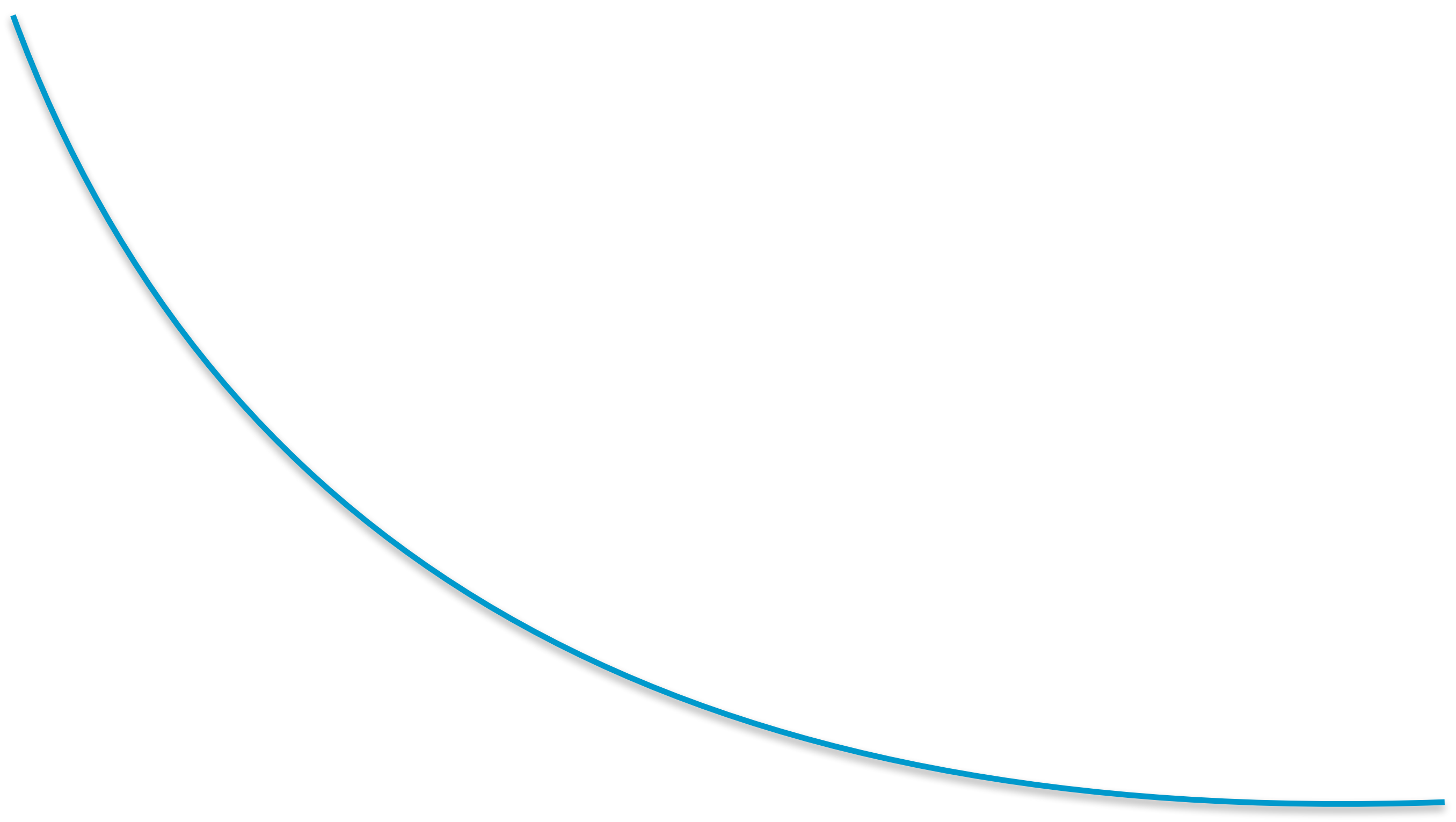
FC = \$140,000



Even though
Fixed Cost
remains the **same**



The **Average**
Fixed Cost
Decrease as Q
Increase









For $Q=1,000$

$$AFC = 140$$

Average Fixed Cost

Average Fixed Cost

$$FC = \$140,000$$

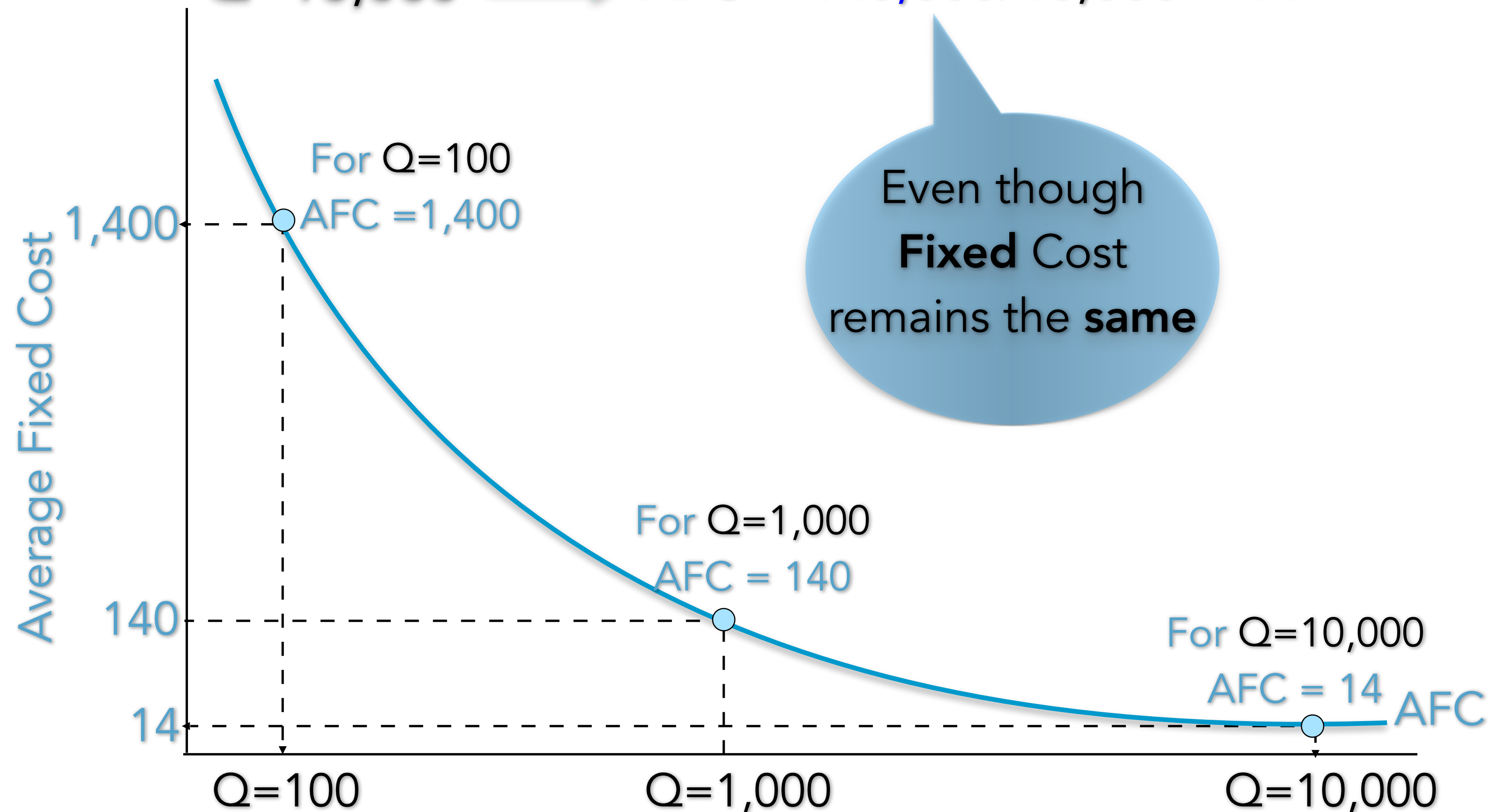
$$\text{Average Fixed Cost} = FC/Q$$

$$Q=100 \longrightarrow AFC = 140,000/100 = 1,400$$

$$Q=1,000 \longrightarrow AFC = 140,000/1,000 = 140$$

$$Q=10,000 \longrightarrow AFC = 140,000/10,000 = 14$$

The **Average**
Fixed Cost
Decrease as Q
Increase



An Example:

$$TC = FC + VC$$