



# Cost

AS

Business

Cost / Expenditure

- Cost for a business is its spending on acquiring different resources that are used to produce goods / services.

## Types of Costs

- All of the business costs can be divided in 2 categories.
  1. Fixed Cost
  2. Variable Cost

***Fixed Cost:*** is any cost component that does not depend on the level of output produced by the business.

**Variable Cost:** is any cost component that does depend on the level of output produced by the business. This cost component is directly related to the level of output produced.

## Total Cost

- Total cost is sum of fixed and variable cost. **Total Cost**

$$= \text{Fixed Cost} + \text{Variable Cost}$$

# Break Even Point

- BEP is the level of output at which the business makes no profit and no loss. Meaning the revenue of the business during that time is equal to its total cost.
- On a graph the quantity where the revenue is equal to total cost that is Break Even point.

## Economies of Scale and Diseconomies

of Scale