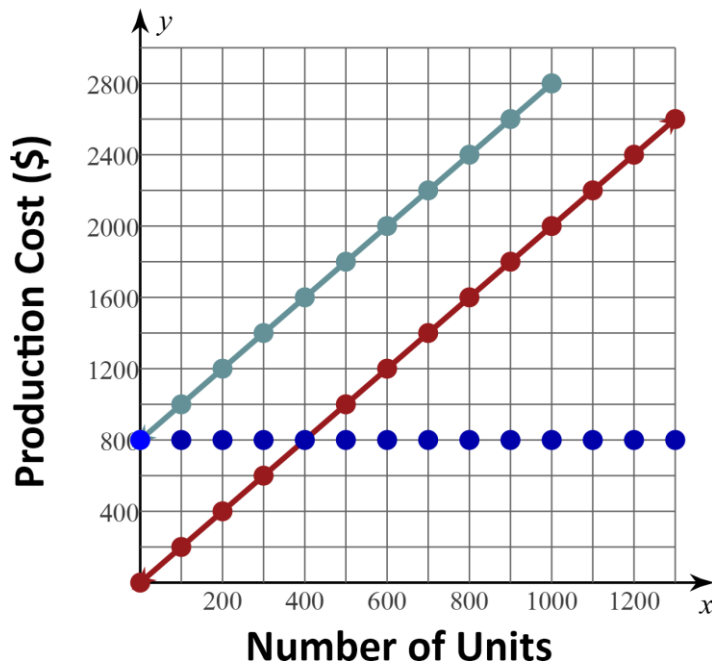


GUIDED NOTES

Use the table below to record your notes as we discuss.

	Notes
Cost of Production	Cost of production is the expense of manufacturing a product. Production costs can be fixed or varied.
Fixed Cost	Fixed cost refers to expenses with prices that do not change regardless of production costs.
Examples of Fixed Cost	Sample student responses: <ul style="list-style-type: none"> ● Rent ● Subscription for a program used in your business ● Insurance ● Salaries (if applicable) ● License or permit
Variable Cost	Variable cost refers to expenses with prices that change due to production costs.
Examples of Variable Cost	Sample student responses: <ul style="list-style-type: none"> ● Material for production ● Labor ● Shipping and packaging ● Utilities



Fixed Cost	Variable Cost	Total Cost
●	●	●

Use your notes from the table on page one and the information on the graph to answer the following questions:

1. What do you notice about the graph of the fixed cost? **Horizontal line, the cost of production is \$800 no matter what number of units is produced**
2. What is the fixed cost if nothing is produced? **\$800**
3. What is the fixed cost if 1000 units are produced? **\$800**
4. What is the total cost of producing nothing? **\$800**
5. What is the total cost of producing 1000 units? **\$2800**
6. What is the relationship between the graph of total costs and the graphs of fixed and variable costs? **Total cost is the sum of the fixed costs and variable costs**