

Total Cost formula

Total cost refers to the overall cost of production, which includes both the fixed and the variable components of the cost. In Economics, total cost is described as the cost that is required to produce a product.

Total cost is composed of two components which are

1. **Fixed Cost:** It is the cost that is constant. In other words, these are costs that will remain the same, irrespective of the number of units that are being produced. For example, lease for a building or rent for an apartment.
2. **Variable Cost:** Variable cost is the cost that changes (increase or decrease) based on the number of goods produced by a company or the service requirements of customers.

Total cost is an important indicator of the financial performance of a company. This can show if a company is spending too much money on certain processes and if there is a need to cut down the costs.

Mathematically total cost formula can be represented as

Total cost = Total Cost = Total Fixed Cost + Total Variable Cost

It can also be represented in a more advanced way as

Total cost = (Average fixed cost + Average variable cost) x Number of units