

# What Are Fixed, Variable, and Mixed Costs?

## Worksheet

A fixed cost stays constant regardless of output (like rent). A variable cost changes in direct proportion to output (like raw materials). A mixed cost has both a fixed and a variable component (like a phone bill with a base fee plus per-minute charges).

### Questions

1. Which cost stays constant regardless of output?

- A) Variable cost
- B) Fixed cost
- C) Mixed cost
- D) Marginal cost

2. A cost that rises directly with each unit produced is:

- A) Fixed
- B) Variable
- C) Mixed
- D) Sunk

3.  $TC = FC + (VC \cdot Q)$ . If  $FC = \$2,000$ ,  $VC = \$5$ ,  $Q = 100$ , what is  $TC$ ?

- A) \$2,500
- B) \$2,050
- C) \$7,000
- D) \$500

4. A mixed cost example is:

- A) Factory rent only
- B) Raw materials only
- C) A phone bill with base fee + per-minute charges
- D) CEO salary

5. A factory pays \$5,000/month rent (fixed) and \$10 per unit for materials (variable). Find total cost for 300 units.

6. A phone plan costs a \$20 base fee plus \$0.05 per minute. Find the cost for 400 minutes.

7. If total cost is \$12,000 at 500 units, and variable cost per unit is \$8, find the fixed cost.

8. Define: What is a fixed cost?

9. Define: What is a variable cost?

10. Define: What is a mixed cost?

## Answer Key

1. B) Fixed cost - Fixed costs don't change with production volume.
2. B) Variable - Variable costs move in direct proportion to output.
3. A) \$2,500 -  $TC = 2,000 + (5 \cdot 100) = 2,000 + 500 = \$2,500$ .
4. C) A phone bill with base fee + per-minute charges - It has a fixed base component plus a variable usage component.
5.  $TC = FC + (VC \cdot Q)$   $TC = 5,000 + (10 \cdot 300)$   $TC = 5,000 + 3,000 = \$8,000$
6. This is a mixed cost:  $TC = FC + (VC \cdot Q)$   $TC = 20 + (0.05 \cdot 400)$   $TC = 20 + 20 = \$40$
7.  $TC = FC + (VC \cdot Q)$   $12,000 = FC + (8 \cdot 500)$   $12,000 = FC + 4,000$   $FC = \$8,000$
8. A cost that stays the same regardless of production volume, like rent or salaries.
9. A cost that changes in direct proportion to output, like raw materials.
10. A cost with both fixed and variable components, like a utility bill with a base fee plus usage charges.

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