A pizza business has the cost structure described below. The firm's fixed costs are $20 per day.

Output (pizzas per day) Total cost of output (fixed + variable)
0 $20
5 $80
10 $120
15 $150
20 $175
25 $195
30 $210
35 $230
40 $255

What are the firm's average total costs (ATC) at an output of 10 pizzas?

Solution

The average total cost (ATC) is calculated as total cost (TC) divided by quantity (Q).

$ATC(Q) = TC/Q$

$ATC(10) = \$120/10 = \$12$

Answer

The firm's average total cost at an output of 10 pizzas are $12.