

Question 82812

what is the meaning of Total Cost (TC), Total Variable Cost (TVC), Total Fixed Cost (TFC), Average Cost (AC), Average Fixed Cost (AFC), Average Variable Cost (AVC), Total Revenue (TR), Average Revenue (AR) and Marginal Revenue (MR) (WITH REFERENCES)

Answer

Total Cost: It is the actual cost incurred in the production of a given level of output. In other words, the total expenses (cost) incurred, both explicit and implicit, on the resources to obtain a certain level of output is called the total cost. It includes both variable cost and fixed cost.

Total variable cost: It is the aggregate amount of all variable costs associated with the cost of goods sold in a reporting period. The components of total variable cost are only those costs that vary in relation to production or sales volume.

Total fixed cost: It is the portion of total cost which does not change in short run like plant and machinery. The total fixed cost formula is really an aggregation of all fixed costs that an organization incurs. If a cost does not vary with the activity level, it can be considered a fixed cost.

The Average Cost: It is the per unit cost of production obtained by dividing the total cost (TC) by the total output (Q). By per unit cost of production, we mean that all the fixed and variable cost is taken into the consideration for calculating the average cost. Thus, it is also called as **Per Unit Total Cost**.

Average fixed cost: It is defined as the fixed cost per unit of output.

Average Fixed Cost = Total Fixed Cost / Total Units of Output

Average variable cost: (AVC) is an economics term which means total variable cost per unit of output obtained when a firm engages in short-run production.

Average revenue: The revenue received for selling a good per unit of output sold, found by dividing total revenue by the quantity of output. When compared with average cost, average revenue indicates the amount of profit generated per unit of output produced.

Total revenue: In economics it refers to the total receipts from sales of a given quantity of goods or services. It is the total income of a business and is calculated by multiplying the quantity of goods sold by the price of the goods.

Marginal revenue: It is the increase in revenue that results from the sale of one additional unit of output. While marginal revenue can remain constant over a certain level of output, it follows the law of diminishing returns and will eventually slow down as the output level increases.

References

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