

VISUAL 23.1

CHARACTERISTICS OF MASS PRODUCTION

- Large Number of Units Produced
- Low Cost Per Unit
- Large Amount of Capital (plants and machines)
- Coordinated Work Force (organized often in an assembly-line fashion)
- Division of Labor

VISUAL 23.2

FIXED COSTS, VARIABLE COSTS AND THEIR RELATIONSHIP TO COST PER UNIT

1. **Fixed costs** are costs that do not change when the number of units produced increases or decreases. For most business firms, fixed costs include the following:
 - Capital
 - Utilities
 - Property taxes
2. **Variable costs** are costs that change when the number of units produced increases or decreases. For many business firms, variable costs include the following:
 - Labor
 - Raw materials
3. Total fixed costs plus total variable costs equal **total cost**.
4. Total cost divided by the number of units produced equals **cost per unit**.

VISUAL 23.3
FIGURING THE COSTS

Weekly output: _____ cans

Total fixed cost: \$10,000 a week

Variable cost per unit: 25 cents per can

Total variable cost: _____

Total cost: _____

Divided by _____ cans

Cost per unit: _____

VISUAL 23.4
ECONOMIES OF SCALE

The situation where the average total cost of making a product declines as production increases in the long run.