

Calculating Costs

Class Activity

WEDDING CAKE COMPANY

A wedding cake company lists the following items as costs. Identify whether each expense is a fixed cost or a variable cost. Rewrite each "Expense" in the proper column in the table on the right.

Expense	Amount
Sugar	\$5 per cake
Rent	\$15 per day
Flour	\$2 per cake
Wages	\$10 per person
Upkeep on the Ovens	\$10 per day
Insurance Payments	\$5 per day
Transportation Fees	\$25 per cake
Property Taxes	\$5 per day

Fixed Costs	Variable Costs

Use the data from the "Amount" column to fill out the table below. Suppose it takes 2 people to make 1 cake, 3 people to make 2 cakes, 5 people to make 3 cakes, and 8 people to make 4 cakes. Use a calculator to find Average Fixed Cost (AFC), Average Variable Cost (AVC), and Average Total Cost (ATC).

Output (Cakes)	Fixed Costs	Variable Costs	Total Cost	AFC	AVC	ATC	Marginal Cost
1							
2							
3							
4							

PIZZERIA

A local pizzeria estimates its nightly costs in the table below. Calculate the values for the empty cells. Then, plot AFC, AVC, ATC, and MC on the graph below.

Output (Pizzas)	Fixed Costs	Variable Costs	Total Cost	AFC	AVC	ATC	Marginal Cost
1	\$15	\$2					
2	\$15	\$6					
3	\$15	\$12					
4	\$15	\$20					
5	\$15	\$30					
6	\$15	\$42					
7	\$15	\$56					
8	\$15	\$72					
9	\$15	\$90					
10	\$15	\$110					

