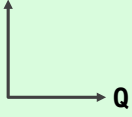
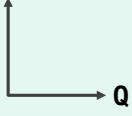


TOPIC: MIXED COSTS

♦ **Mixed Costs** include commission-based compensation, vehicle expenses, and maintenance.

	When activity increases...	Equation	Graph
Total Mixed Costs		$Y = bX + a$	
Average Mixed Costs		$Y = \frac{bX + a}{X}$	

Y : Cost being measured a & b : Constant X : Activity Level

EXAMPLE

Taylor's Tickets' utilizes an electronic ticketing system. The system costs \$4,000 per month, plus an additional \$0.50 per ticket. Calculate Taylor's total mixed cost and average mixed cost for each possible quantity given below.

Sales per Month	Total Mixed Cost	Average Mixed Cost
2000 tickets		
2500 tickets		
3000 tickets		

TOPIC: MIXED COSTS

PRACTICE

If a company's costs are all mixed costs, which of the following quantities will result in the lowest average mixed cost?

- a) 5,000 units.
- b) 10,000 units.
- c) 15,000 units.
- d) All the above will result in the same average variable cost.

PRACTICE

A mixed cost's equation is estimated to be $Y = 7X + 500$. What is the value of the fixed component of this mixed cost?

- a) 7
- b) $7X$
- c) 500
- d) X