Cost Analysis
In production analysis, physical aspects of production relations are considered. But financial aspects of production relations are considered in cost analysis.

Different Cost Concepts
1. Accounting Cost and Economic Cost
2. Outlay Costs and Opportunity Costs
3. Direct and Indirect Costs
4. Fixed and Variable Costs

Long Run Average Cost Curve
In the short run, the firm is tied with a given plant, while in the long run, the firm moves from one plant to another.

So, in the long run, the firm has a choice from infinite number of plants corresponding to which there are numerous average cost curves.

Cost Function
It refers to the mathematical relation between cost of a product and the determinants of cost.

Short Run Total Cost
Total Cost of a business = Total Fixed Cost + Total Variable Cost
OR
TC = TFC + TVC

Short Run Average Cost
(i) Average Fixed Cost (AFC)
It is the total fixed cost divided by the number of units of output produced.
i.e. AFC =

(ii) Average Variable Cost (AVC)
It is the total variable cost divided by the number of units of output produced.
i.e. AVC = \( \frac{TFC}{Q} \)

(iii) Average Total Cost (ATC)
It is the sum of average variable cost and average fixed cost.
i.e. ATC = AVC + AFC
It is the total cost divided by the number of units produced.

(iv) Marginal Cost (MC)
It is the addition made to the total cost by producing an additional unit of output. This cost is independent of fixed cost because fixed cost does not change with output.