

Difference between Fixed Cost and Variable Cost

Basis of Difference	Fixed Cost	Variable Cost
Meaning	It refers to the expenditure incurred by the producer on fixed factors of production.	It refers to the cost incurred on variable factors of production.
Nature	Fixed Costs are time-based costs as these are fixed in short-run and can be variable in long run.	Variable Costs are volume of production based as these are dependent on the units produced.
Behaviour	These costs are fixed and don't change with increase or decrease in the output.	These costs are variable. Thus, keep on changing with the change in output.
Incurred	These costs are incurred even before the start of actual output.	These costs are incurred only when there is the actual output produced.
Unit Cost	The per-unit fixed cost decreases with an increase in production and vice versa. Thus, it changes when comes to per-unit cost.	The per-unit variable cost is always fixed whatever be the production.
Control	These costs cannot be controlled and have to be paid.	These costs can be controlled by controlling the volume of production.
Also known as	These costs are also known as supplementary costs, overhead costs or indirect costs.	These costs are also known as Prime cost or direct cost.
At zero production level	These costs have to be incurred even when the output is zero.	These costs are zero when the production is zero.
Examples	Expenditure on Machinery and Plant, Licence fee, Expenditure on Land and Building etc.	Expenditure on purchase of raw material, Wages to labour, Expenditure on electricity, Wear and tear Expenses etc.