true

Break Even Analysis!

When a business makes a **profit**, its **TR** is more than its **TC**.
When a business makes a **loss**, its **TR** is less than its **TC**.
When a business's **TR** is the same as its **TC**, it has reached the **break-even point.**

Fixed Costs (FC) and Variable Costs (VC)

Fixed Costs (FC) - These don't change	Variable Costs (VC) - These change
e.g rent	sugar
costs	milk
salaries	eggs

How to Calculate the Break-Even Point

FC/(SPU-VCU)

Examples:

Harry and Henny write a book.

- The **SPU** for each book is £5.
- They buy paper and ink. Their **VCU** for each book is £2.
- They pay rent to Miss Morris to use the classroom to write the book. Their **FC** are £100.

How would Harry and Henny calculate the **break-even point** using the information above?

FC £100 ÷ (£5 − £2) 34 books

£100 ÷ 3 = 33.3 34

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£ ÷ (£5 - £2) 34 books

£100 ÷ £3 = 33⅓ books

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£100 ÷ (£5 - £2

George Pritchard

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How would Harry and Henny calculate the **break-even point** using the information above?

~~£5 fixed £100~~ fixed cost £100

£100 ÷ (£5 − £2)

£100 ÷ £3 = £33.33 books

34 books