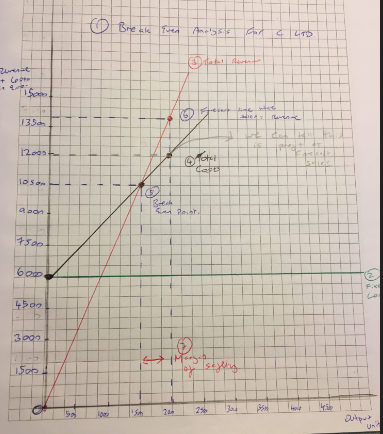
**Plot a Break Even Analysis from the following information for C Ltd.**

|  |  |
| --- | --- |
| **Fixed Costs** | **€6000** |
| **Variable Costs per Unit** | **€3** |
| **Forecast Sales in Output** | **2,000 units** |
| **Selling Price in Euro** | **€7** |



**Firstly:**

**Find Contribution per Unit**

Selling Price- Variable Costs = Contribution per Unit

€7- €3 = €4 Contribution per Unit

**Find the Break Even Point**

Fixed Costs/ Contribution per Unit = Break Even Point

€6000/€4 = 1500 units

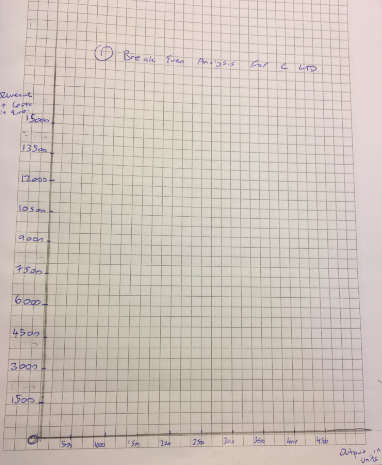
**Revenue and Costs Table- Learn to put like this!!**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | ***Units x Selling Price*** |  | ***Units x Variable Costs***  ***(€3 given above)*** | ***Fixed Costs + Variable Costs*** | ***Total Revenue – Total Costs*** |
| **Sales in Units** | Selling Price | **Total Revenue** | Fixed Costs | Variable Costs | Total Costs | Profit |
| **0** | €7 | **0** | €6000 | 0 | €6000 | (€6000) |
| **1500** | €7 | **€10500** | €6000 | €4500 | €10500 | 0 |
| **2000** | €7 | **€14000** | €6000 | €6000 | €12000 | €2000 |

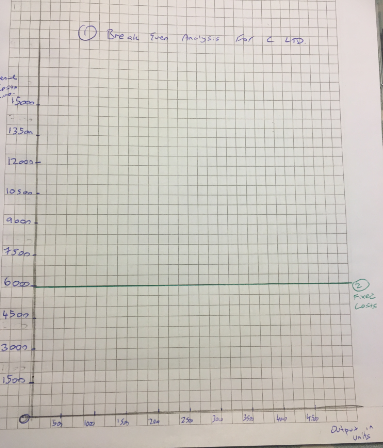
1. **Plotting onto Break Even Chart**

*Steps*

1. **Heading of Company, Horizontal (across) axis – Label Outputs in Units, Vertical (down) axis- Label revenue and Costs**

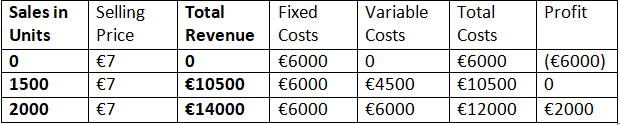


1. **Draw Fixed Costs line. In the question above we can see it is €6000 so we draw this on the graph.**



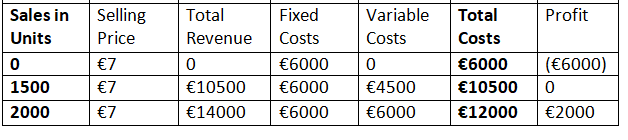
1. **Draw Total Revenue line and mark points. We worked these out above from the table.**

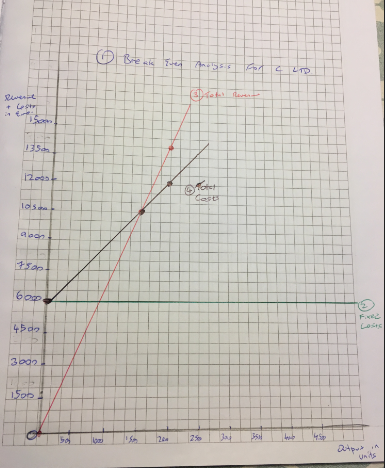
**(0,0) (1500,10500) (2000, 14000)**



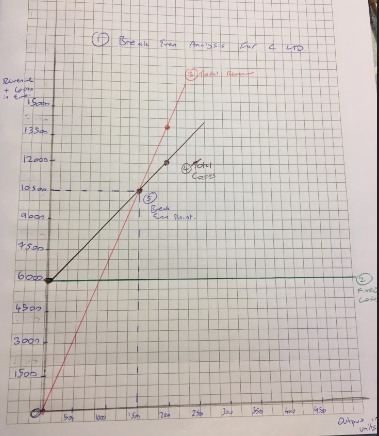
1. **Draw Total Costs line and mark points. We worked these out above from the table**

**(0,6000), (1500,10500), (2000, 12000)**

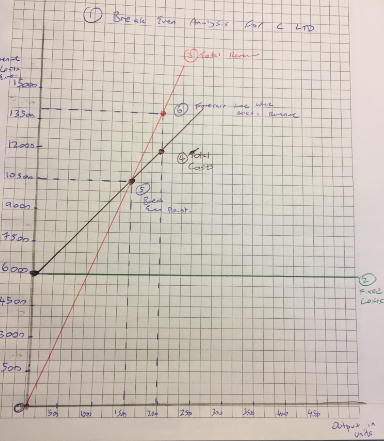




1. **Draw Break Even Point where Sales = Total Revenue- In this question 1500 units was equal to €10500 Revenue**



1. **Plot the Forecast Sales where Sales = Total Revenue. In this question 2000 units was equal to €14000 Revenue**



1. **The difference between BEP and Forecast Sales will now show us both Margin of Safety, which is 500 units, and Profit at Forecast Sales, which is €2000 (€14000 TR-€12000 TC)**

