|  |  |  |  |
| --- | --- | --- | --- |
| Name |  | Date |  |

**Practice task – Break even analysis**

Task 1 – true or false

|  |  |  |
| --- | --- | --- |
| Statement | True | False |
| A fixed cost is a cost that does not vary with output |  |  |
| The money received from customers when they pay for goods is called sales revenue. |  |  |
| An example of a variable cost is rent. |  |  |
| Sales revenue is a business cost. |  |  |
| An example of a variable cost is packaging. |  |  |
| If you charge a low price, a customer will always buy your product. |  |  |

Task 2 - Brian’s Burgers

Brian is considering starting a small business making beef burgers which he could sell to local farm shops. He wants to know how many burgers he will need to sell every month in order to make his business profitable. He has calculated the following figures:

Brian’s fixed costs (which includes rent premises, advertising, wages, insurance and utilities) are £5,000 a month.

Brian will sell his burgers in boxes of 50 and each box will cost him £150 to produce. He plans to sell each box at £200 per box.

Using the figures above, complete the table below to show Brian’s income and expenditure at each level of output/sales:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Number of boxes produced/sold** | **40** | **60** | **80** | **100** | **120** | **140** | **160** |
| Fixed Costs |  |  |  |  |  |  |  |
| Variable Costs |  |  |  |  |  |  |  |
| Total Costs |  |  |  |  |  |  |  |
| Sales Revenue |  |  |  |  |  |  |  |

1. If Brian produces and sells 60 boxes of burgers, will he make a profit or a loss?

 Calculate the profit or loss he will make.

 …………………………………………………………………………………………….

1. If Brian produces and sells 160 boxes of burgers, will he make a profit or a loss?

 Calculate the profit or loss he will make.

 …………………………………………………………………………………………….

1. At what point of sales will Brian not make a profit or a loss?

 …………………………………………………………………………………………….

Task 3 – Break-even graph

Use the financial data from task 2 to construct an accurate break-even graph that identifies the following:

* FC
* VC
* TC
* TR
* BEP
* MOS