**Handout – Calculating the break-even number of pizzas**

Break even is the point at which a business makes no profit and no loss. It is the point at which total costs equal total revenue, i.e. the money coming into the business is the same as the money going out of a business.

To calculate how many pizzas, you need to sell in order to break even you need to know:

* Fixed costs
* Variable costs (per pizza)
* Price per pizza (the amount the customer will pay)

The fixed cost is given to you in the assignment brief, it is £10,600 per month

**Fixed cost per month £10,600**

Use the table below to calculate variable cost per pizza:

|  |  |  |
| --- | --- | --- |
| **Ingredients** | **Type** | **Cost** |
| Base |  |  |
| Sauce |  |  |
| Cheese |  |  |
| Topping 1 |  |  |
| Topping 2 |  |  |
| Topping 3 |  |  |
| **Variable cost per pizza** | |  |

How much are you going to charge per pizza? This will be your revenue per pizza

|  |  |
| --- | --- |
| Price per pizza | £ |

With this information, you should be able to complete the break-even table on the other side of this page:

Test your answer

We can also use a formula to calculate the break-even point. Please use the following to see if your break-even table is correct:

Selling price per unit – Variable cost per unit =

This is called contribution per unit

Fixed cost per unit / Contribution per unit

= Break-even point in units (pizza’s)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Number of Units made** (Pizza) | **Total Fixed cost** | **Total Variable cost** (Variable Cost per unit X total number of units) | **Total cost** (Total Fixed Costs + Total Variable Costs) | **Total Revenue** (Price per Unit X Number of Units made) | **Total Profit or Loss** (Total Revenue - Total costs) |
| 0 | £10,600 |  |  |  |  |
| 100 | £10,600 |  |  |  |  |
| 200 | £10,600 |  |  |  |  |
| 300 | £10,600 |  |  |  |  |
| 400 | £10,600 |  |  |  |  |
| 500 | £10,600 |  |  |  |  |
| 600 | £10,600 |  |  |  |  |
| 700 | £10,600 |  |  |  |  |
| 800 | £10,600 |  |  |  |  |
| 900 | £10,600 |  |  |  |  |
| 1,000 | £10,600 |  |  |  |  |
| 1,100 | £10,600 |  |  |  |  |
| 1,200 | £10,600 |  |  |  |  |
| 1,300 | £10,600 |  |  |  |  |
| 1,400 | £10,600 |  |  |  |  |
| 1,500 | £10,600 |  |  |  |  |
| 1,600 | £10,600 |  |  |  |  |
| 1,700 | £10,600 |  |  |  |  |
| 1,800 | £10,600 |  |  |  |  |
| 1,900 | £10,600 |  |  |  |  |
| 2,000 | £10,600 |  |  |  |  |
| 2,100 | £10,600 |  |  |  |  |
| 2,200 | £10,600 |  |  |  |  |
| 2,300 | £10,600 |  |  |  |  |
| 2,400 | £10,600 |  |  |  |  |
| 2,500 | £10,600 |  |  |  |  |
| 2,600 | £10,600 |  |  |  |  |
| 2,700 | £10,600 |  |  |  |  |
| 2,800 | £10,600 |  |  |  |  |
| 2,900 | £10,600 |  |  |  |  |
| 3,000 | £10,600 |  |  |  |  |