

**“BREAK EVEN” POINT**

*Flap paste in your workbook*

Once you have calculated your

- total production cost (fixed and variable costs) for a given number of units
- the unit cost and
- selling price, it is easy to calculate the break even point.

To work out your break even point you need to calculate how many units you will have to sell to cover your total production costs. This is referred to as the break even point. You are neither making a loss nor making a profit.

If you don't manage to sell the required number of units to break even you will make a loss. If you sell more than the required units to break even you will make a profit.

**Example:**

Total production cost of 200 toffee apples = R 900

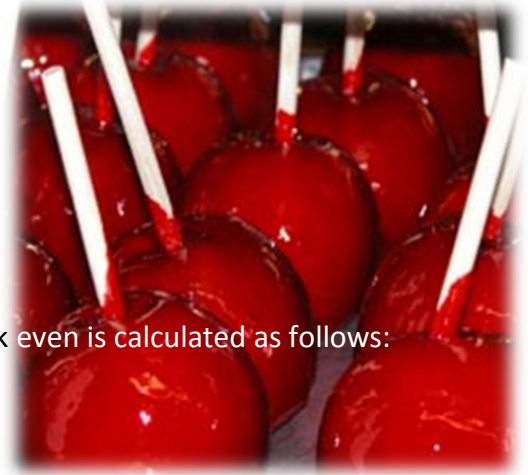
Unit Cost = R 4, 50

Selling Price per toffee apple is = R 6, 00

The number of toffee apples that need to be sold to break even is calculated as follows:

Total Production Cost ÷ Selling Price per toffee apple

$900 \div 6 = 150$  units (toffee apples)



**ACTIVITY**

1. Calculate the break even point of your product or service (Show your calculation step by step as per the example)
2. Calculate the profit if all the toffee apples are sold.