Break Even Analysis

Determine how much dollars and/or unit sales you need to break even, i.e. Total Revenue equal Total Expenses. Any dollar/unit sales beyond the break even point should generate a profit.

Revenue……...…….. $ 5.00 (A) Each Unit

Cost of Goods Sold (COGS)……. $ 2.50 (B) Each Unit
Cost of goods…… $ .10
* Variable Cost per Unit…$2.40
Total COGS per unit…...$2.50

Gross Margin (Profit)…… $ 2.50 (C = A-B) Ea. Unit

Estimated Expenses Per Month.

Rent……$
Electricity……...$
Insurance……$
Etc……..$
Total Est. Exp…..$ 15,750 (D)

Objective: To have Gross Margin (Profit) (C) pay off Total Estimated Expenses (D)

In this example,

$15,750 (D) / $2.50 (C) = 6,300 units sold are needed to break even

Or,

$5/unit (A) X 6,300 units = $31,500

$31, 500 sales are needed to break even

* Variable Cost – Materials, wages, inventory space, etc.