**Activity 1 – Essential**

The formula for break-even is:

**B/E = Total Fixed Costs**

 **(Unit Selling Price – Unit Variable cost)**

Calculate the Break Even level of output for the company SCG Ltd:

**Total Fixed Costs** - £20,000

**Unit Selling Price** - £25.00

**Unit Variable Cost**- £5.00

**A** – Calculate the Break Even level of output for the following company:

**B/E level of output** =

**B** – The selling price increases to £30.00 and variable cost falls to £4.00. Total fixed costs have fallen by £1,000. Calculate the new B/E level of output

**B/E level of output** =

**C** – Explain what has happened to the B/E point and why?

**Extension** – What does this tell you about the relationship between costs, selling price and the B/E point?

**Activity 2 – Stretch**

**Annual Rent** - £19,500

**Buildings Insurance** - £500

**Unit Selling Price** - £25.00

**Unit Variable Cost** - £5.00

The Break Even level of output is **1,000 units**

**A** – Can you explain how this has been worked out and write out the formula

**B/E formula** =

**B** – The selling price increases by 10% and variable cost fall by 20%. Total fixed costs have fallen by 5%. Calculate the new B/E level of output

**B/E level of output** =

**C** – Explain what has happened to the B/E point and why?

**Extension** – What does this tell you about the relationship between costs, selling price and the B/E point?