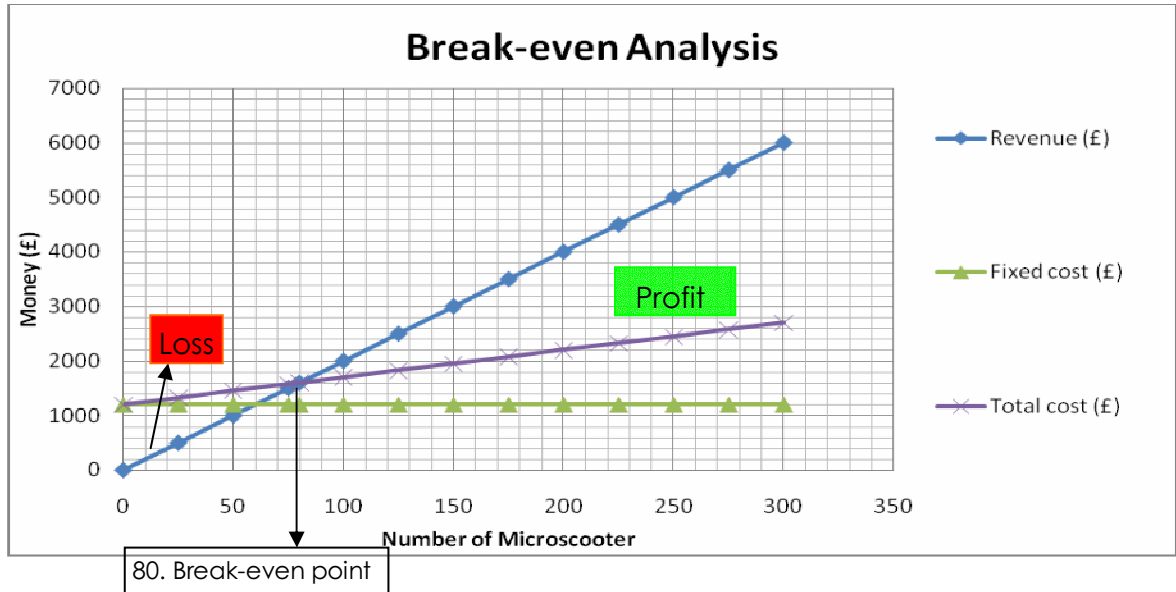


# M1

## Mini Introduction

In this coursework I will be explaining how change in cost and revenue can have a major effect on break even. I will use JJ supermarket as an example to show how break-even works. I will calculate break even few times, each of them with different fixed cost, selling price or variable cost.

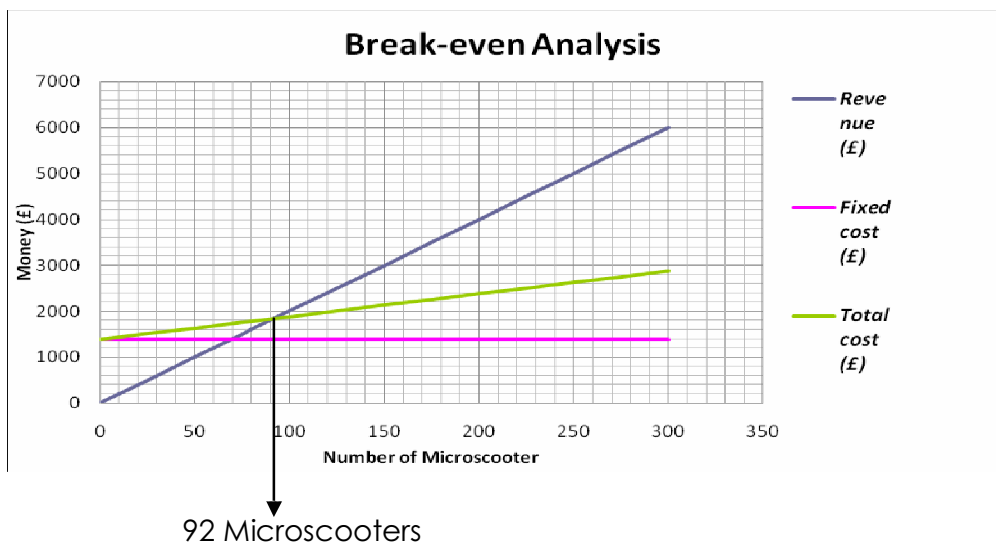
Below is the breakeven chart of JJ Supermarket.



To Check if the break even is correct, I used the formula Break even = fixed cost / (selling price- variable cost) = 1200 / (20 – 5) =80. This graph states that JJ Supermarket will need to sell 80 Microscooters to break even. This means if the JJ Supermarket sells any amount, less than 80 then they will make loss. 80 is the safe zone for JJ Supermarket. If they sell over 80 then they will make profit.

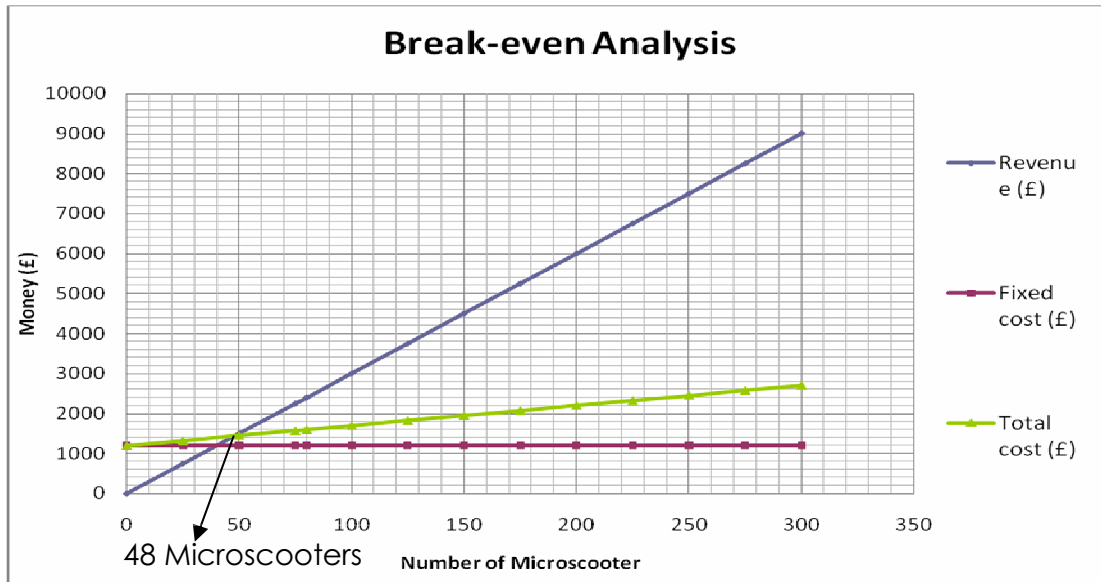
The variable cost of JJ Supermarket depends on the number of Microscooters were sold. If the amount of Microscooters sold were 450 then the variable cost of JJ Supermarket will be 5, which is cost of 1 Microscooters times 450. 5X450 = 2250. Therefore, the variable cost of JJ Supermarket for 450 Microscooters will be £2250.

Change in a fixed cost could increase the amount of products needed to be sold in order to break even. Below is a break-even chart with fixed cost increased by 15%.



The break-even shows that the amount of Microscooters needed to be sold in order to achieve break even is 92. Now to check if it is correct I will use the formula. Break even=  $1380 / (20 - 5)$ . That is 92. Therefore, if the fixed Cost is increased by 15% then the JJ Supermarket will have to sell 92 Microscooters in order to break even.

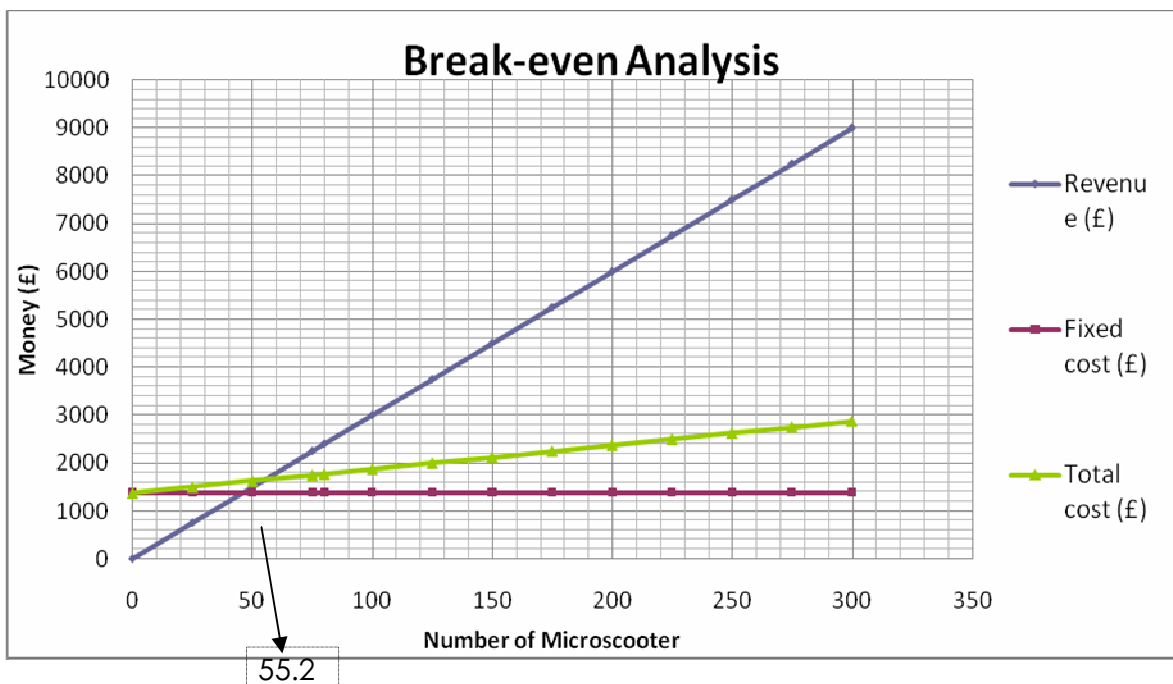
Increased in selling price will make the break even number will decrease. Below is the break-even graph of JJ Supermarket after the selling price has been changed to £30.



As you can see, by increasing the selling price the revenue line on the graph has gone steeper showing that there is increase in the revenue. Increase in the revenue will always reduce the amount of products needed to be sold in order to break even this will help get business to break even quicker and make more profit. This might bring reduction for

products sold as people may find it expensive.

Changing the anything in break-even chart will have effect on breakeven point. The increase in cost, either fixed cost or variable cost, the amount of products needed to be sold in order to break even will increase. It is due to increase in total cost increases the demand of revenue in the business to break even. Increase in revenue usually done by increasing the selling prices will have a positive effect on JJ Supermarket as the products required to break even will be less and business will make quick profit. However, this may result in



fewer products to be sold as people might think it is expensive.

With 15% increase in fixed cost and £10 increased in selling price the break even could be either bigger or smaller than 80 depending on which has greater impact on break even analysis.

As you can see from the graph, the amount is in decimal form. Therefore, JJ supermarket will have to sell at least 56 Microscooters in order to achieve break even. Selling 56 Microscooters will also gain them little profit

and selling one less than 56 will make them go in little loss. Therefore, it is essential that they sell 56 to achieve break-even and profit.

To conclude this piece of coursework I have shown the affects of changing cost and revenue on break even. I have used graphs to show how it affects each line and increase or decrease the amount of products needed to be sold in order to achieve break even. I have proved that it is important to break even each month in order to get an update of breakeven point.