Break-Even Analysis Activity

Kenneth and Hilda are planning to start a T-shirt business and they want to know how many they will have to sell to break even.

Information:

- Their fixed costs will be £200
- Their variable costs are £2 per T-shirt
- They are going to produce 80 T-shirts and expect to sell these
- The selling price will be £10

Activity:

1. Using the information above, complete table below.

No. sold	Sales	Fixed	Variable	Total	Profit/
	Revenue (£)	Costs (£)	Costs (£)	Costs (£)	Loss
0	0	200	0	200	(200)
10	100	200	20	220	(120)
20			40		
30					40
40	400	200			
50			100	300	
60	600	200	120		
70	700	200	140	340	360
80					440

- 2. Draw a break-even chart (on the back of this sheet) for the table of data above and label each line and the axis
- 3. How many t-shirts do Kenneth and Hilda have to sell to break even? Once this is calculated, evaluate whether the business is worth starting.







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Break-Even Analysis Activity Answers

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10	100	200	20	220	(120)
20	200	200	40	240	(40)
30	300	200	60	260	40
40	400	200	80	280	120
50	500	200	100	300	200
60	600	200	120	320	280
70	700	200	140	340	360
80	800	200	160	360	440

2. Draw break-even chart = Show the group the tutor example and compare

3. How many t-shirts do Kenneth and Hilda have to sell to break even? And evaluate whether the business is worth starting.

Break Even at 25 shirts (FC 200 / SP 10 – VC 2 = 25)

Worth doing because they will break even before their 4th month. The rest sold beyond 25 is profit and they expect to sell 80 so after the initial 25 the other 65 are profit making.



