Example Break Even Question – For Demo.

Your teacher will demonstrate how to draw a Break Even Chart using the following information:

Clarissa sells high quality woolly jumpers from a shop in Kingston-Upon Thames. It is a simple business that sells a variety of designs and sizes, but all are sold at the same price. She has done extensive market research and has found out she is likely to sell 5000 woolly jumper this year.

**Selling Price per unit = £90**

**Rent = £48 000 per year**

**Insurance premiums = £2 000 per year**

**Salaries = £70 000 per year**

**Cost of stock (from supplier) = £58 per jumper**

**Packaging = £2 per jumper**

# Questions:

1. Calculate the Break Even Point for Clarissa’s business.
2. Draw Clarissa’s Break Even Chart, plotting the Fixed Costs, Sales Revenue and Total costs lines.
3. Mark on the Break Even Point and indicate the Break Even Level of Output
4. Mark on the Margin of Safety
5. Mark on the amount of Profit or Loss made by Clarissa if her market research ends up being right.