Break Even Chart
Solving Graphically

Example: If the fixed cost is \$4320, selling price per unit is \$25 and variable cost per unit is \$15. What is the total cost equation? What is the Break Even Point in units and dollars? Draw a Break Even Chart.
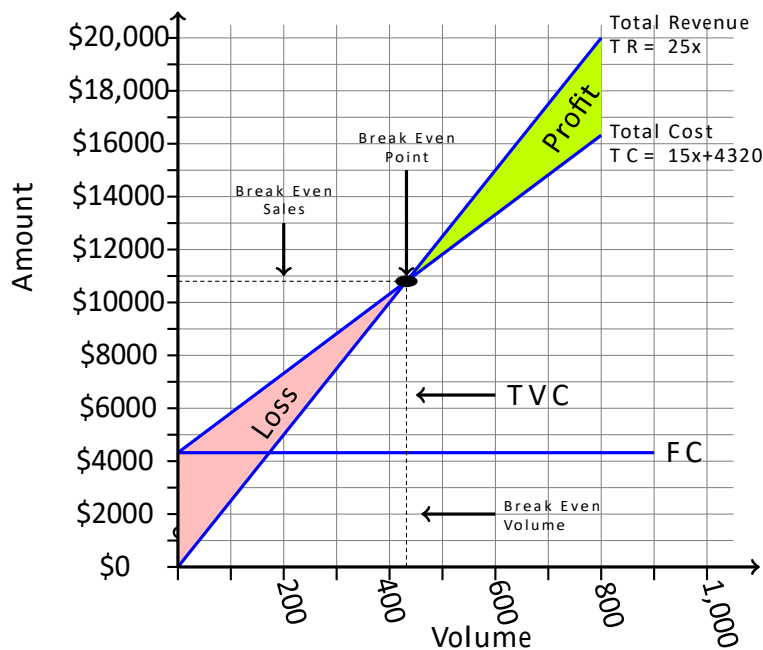
Step 1: Calculating T C

Total Variable Cost	=	15*x
T V C	=	15x
Total Cost	=	T V C + F C
T C	=	15x+4320

Step 2: Calculating T R

Total Revenue	=	25*x
T R	=	25x

Step 3: Make a Break Even Chart

Step 4: Calculating Break Even Point

At Break Even point,

$$T R = T C$$
$$25x - 15x = 15x + 4320 - 15x$$
$$\frac{10x}{10} = \frac{4320}{10}$$
$$x = 432$$

Break Even Point = 432 Units

Break Even Point in dollars = Number of units x Selling Price

= 432 x \$25 = \$10800

HUMBER

https://humber.ca/learningresources/

1) If,
   Fixed cost = 5520
   Selling price per unit = 45
   Variable cost per unit = 20

   Find:

   a. What is the total cost equation?

   b. Draw a detailed Break Even Chart.

   c. Find the Break Even Point in units.

   d. Find the Break Even Point in dollars.

2) Alex wants to start greeting card business. He will need to lease equipment at $4000 a month. It will cost him $1 to print a card and he can sell it for $5.

   Find:

   a. What is the total cost equation?

   b. Draw a detailed Break Even Chart.

   c. Find the Break Even Point in units.

   d. Find the Break Even Point in dollars.

3) Dan wants to sell chairs for $120 each. First, he must rent a store front for $3,500 per month, and pay $1,300 per month in labour costs. Also, each chair costs Dan $80 to make.

   a. What is the total cost equation?

   b. Draw a detailed Break Even Chart.

   c. Find the Break Even Point in units.

   d. Find the Break Even Point in dollars.