

### Break-even chart - *Learning aim B: Understand how businesses plan for success*

1 Ben runs a sportswear manufacturing business. He thinks it would be a good idea to start a new line – football boots. At first, he thinks he can sell them for £40, but then realises that he may have to sell them for £35 to break into the market. The costs involved are:

- Materials – £15 per pair
- Labour – £5 per pair
- Rent – £5,000 per year
- Power – £6,000 per year
- Insurance – £4,000 per year

Calculation:

- a Calculate how many pairs does Ben need to sell at £35 to break even? \_\_\_\_\_
- 2 On the grid below, produce a break-even chart for Ben for sales of football boots up to 1,400 pairs. Answer the questions below.



- a On the Chart, Show the break-even point in units
- b What is the maximum profit Ben can make in £s? \_\_\_\_\_
- c Explain the term 'margin of safety' and why it is important to know what it is.  
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- d What is the margin of safety in units? \_\_\_\_\_
- e What would the break-even point be in pairs if the selling price was increased to £40?  
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