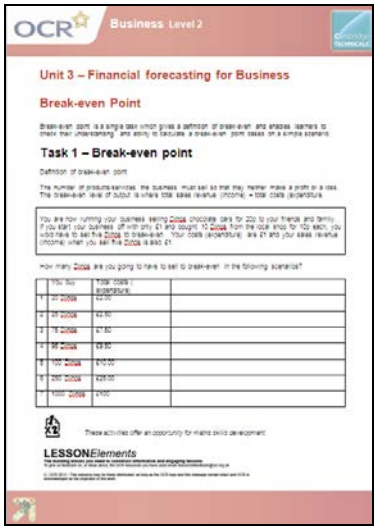
Unit 3 – Financial forecasting for Business

Break-even Point

Instructions and answers for Teachers

These instructions should accompany the OCR resource 'Break-even Point',
which supports OCR Level 2 Cambridge Technical Certificate in Business Unit 3 – Financial forecasting for Business


Unit 3 – Financial forecasting for Business

Break-even Point

Task 1 – Break-even point

Associated Files:
Break-even Point

Expected Duration:
Task 1 approx. 30 minutes

Break-even point is a single task which gives a definition of break-even and enables learners to check their understanding and ability to calculate a break-even point based on a simple scenario.

Task 1 – Break-even point

Definition of break-even point

The number of products/services the business must sell so that they neither make a profit or a loss. The break-even level of output is where total sales revenue (income) = total costs (expenditure.

You are now running your business selling Dinos chocolate bars for 20p to your friends and family. If you start your business off with only £1 and bought 10 Dinos from the local shop for 10p each, you would have to sell five Dinos to break-even. Your costs (expenditure) are £1 and your sales revenue (income) when you sell five Dinos is also £1.

How many Dinos are you going to have to sell to break-even in the following scenarios? (Sample answers below)

	You buy	Total costs (expenditure)	Number of Dinos to sell to break-even
1	20 Dinos	£2.00	10 Dinos £2.00/£0.20 = 10 Dinos Sell 10 Dinos = £2.00
2	25 Dinos	£2.50	13 £2.50/£0.20 = 13 (round up from 12.5) Sell 13 Dinos = £2.60 – breakeven point met
3	75 Dinos	£7.50	Sell 38 Dinos
4	95 Dinos	£9.50	Sell 48 Dinos
5	100 Dinos	£10.00	Sell 50 Dinos
6	250 Dinos	£25.00	Sell 125 Dinos
7	1000 Dinos	£100	Sell 500 Dinos

These activities offer an opportunity for maths skills development.