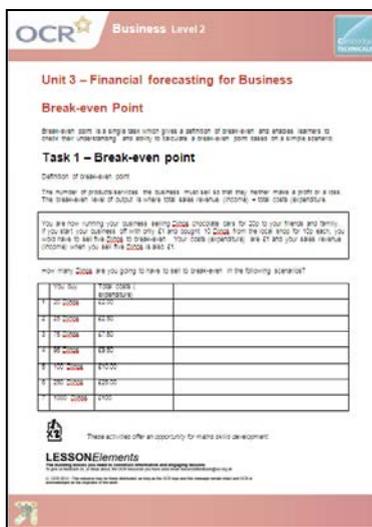


## Unit 3 – Financial forecasting for Business

### 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



The screenshot shows the OCR Business Level 2 resource page for 'Break-even Point'. It includes the OCR logo, the unit title 'Unit 3 – Financial forecasting for Business', and the section title 'Break-even Point'. Below this, there is a definition of break-even point and a task titled 'Task 1 – Break-even point'. The task asks the learner to calculate the break-even point for a business selling Dinos chocolate bars. A table is provided for recording the learner's work, with columns for 'Total Revenue', 'Total Costs', and 'Profit/Loss'.

Total Revenue	Total Costs	Profit/Loss
£100.00	£100.00	£0.00
£200.00	£110.00	£90.00
£300.00	£120.00	£180.00
£400.00	£130.00	£270.00
£500.00	£140.00	£360.00
£600.00	£150.00	£450.00
£700.00	£160.00	£540.00
£800.00	£170.00	£630.00
£900.00	£180.00	£720.00
£1000.00	£190.00	£810.00

**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.*

## LESSONElements

**The building blocks you need to construct informative and engaging lessons**

To give us feedback on, or ideas about, the OCR resources you have used email [resourcesfeedback@ocr.org.uk](mailto:resourcesfeedback@ocr.org.uk)

© OCR 2012 - This resource may be freely distributed, as long as the OCR logo and this message remain intact and OCR is acknowledged as the originator of this work.

