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# Break Even Point (BEP)

Calculating the breakeven point is a key financial analysis tool used by business owners. Once you know the fixed and variable costs for the product your business produces or a good approximation of them, you can use that information to calculate your company's breakeven point. Small business owners can use the calculation to determine how many product units they need to sell at a given price point to break even.

**What Is the Breakeven Point?**

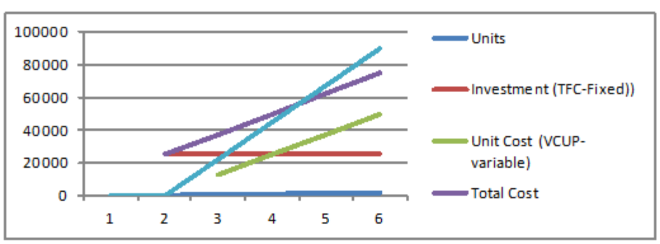
A company's breakeven point is the point at which its sales exactly cover its expenses.

To compute a company's breakeven point in sales volume, you need to know the values of three variables:

- **Fixed costs:** Costs that are independent of sales volume, such as rent
- **Variable costs:** Costs that are dependent on sales volume, such as the cost of manufacturing the product
- **Selling price** of the product

## Break even analysis

BEP = TFC/SUP-VCUP
BEP = Break even Point

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|---|---|---|---|---|---|---|---|
| Units | | | 0 | 500 | 1000 | 1500 | 2000 |
| Investment (TFC-Fixed)) | | | $ 25,000 | $ 25,000 | $ 25,000 | $ 25,000 | $ 25,000 |
| Unit Cost (VCUP-variable) | $ | 25 | | $ 12,500 | $ 25,000 | $ 37,500 | $ 50,000 |
| Total Cost | | | $ 25,000 | $ 37,500 | $ 50,000 | $ 62,500 | $ 75,000 |
| Unit Sales (SUP) | $ | 45 | $ - | $ 22,500 | $ 45,000 | $ 67,500 | $ 90,000 |

For more information, a free consultaion about how to, please contact us at:
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