

Document Title: 9_Break-Even_Analysis

Brief:

This document calculates the **break-even point**—the moment when total revenue equals total costs. It helps determine how much needs to be sold (in units or dollars) to cover both **fixed** and **variable** expenses. This is essential for understanding pricing, profitability, and risk in your business model.

Break-Even Analysis Table

Category	Amount (USD)	Notes
Fixed Costs	\$____	Costs that do not vary with sales (rent, salaries, software)
Variable Cost per Unit	\$____	Cost incurred per unit sold (materials, packaging, commissions)
Selling Price per Unit	\$____	Price you charge per unit/product
Contribution Margin per Unit	= Selling Price – Variable Cost	Amount contributing to fixed costs and profit
Break-Even Units	= Fixed Costs ÷ Contribution Margin	Minimum units to sell to break even
Break-Even Revenue	= Break-Even Units × Selling Price	Revenue needed to cover all costs

Example Calculation:

Category	Amount (USD)	Example Notes
Fixed Costs	\$5,000	Office, hosting, payroll, etc.
Variable Cost per Unit	\$20	Materials and transaction fees
Selling Price per Unit	\$50	Your product/service price

Contribution Margin	\$30	$\$50 - \20
Break-Even Units	167	$\$5,000 \div \30
Break-Even Revenue	\$8,350	$167 \times \$50$

Recommendations:

- **Use conservative estimates** for both costs and sales price.
- **Include taxes and processing fees** in variable costs for accuracy.
- Regularly update the analysis when cost structures or pricing change.
- Use this data to set **minimum sales targets** and inform pricing strategy.