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- Emma I was struggling to grasp the concept of accounting cycle through my text book and class room lectures. However, after reading accounting for management notes, everything became much clear. - Jannifer Explanations, exercises, problems, quizzes and calculators all together make up a complete learning combo for accounting students. - Berdia Miller Got A+ grade in managerial accounting assignments by solely depending on the tutorials provided in this website. - Arjun The site is very easy to navigate. The content provided here has great value for students. Keep up the good work. Share – copy and redistribute the material in any medium or format for any purpose, even commercially. Adapt – remix, transform, and build upon the material for any purpose, even commercially. The licensor cannot revoke these freedoms as long as you follow the license terms. Attribution – You must give appropriate credit , provide a link to the license, and indicate if changes were made . You may do so in any reasonable manner, but not in any way that suggests the licensor endorses you or your use. ShareAlike – If you remix, transform, or build upon the material, you must distribute your contributions under the same license as the original. No additional restrictions – You may not apply legal terms or technological measures that legally restrict others from doing anything the license permits. You do not have to comply with the license for elements of the material in the public domain or where your use is permitted by an applicable exception or limitation . No warranties are given. The license may not give you all of the permissions necessary for your intended use. For example, other rights such as publicity, privacy, or moral rights may limit how you use the material. Fixed expenses: These are expenses that do not change with production of units or provision of services to customers. You need to enter in this field the total fixed expenses for the period for which you are calculating break-even point. For example if your monthly and annual fixed expenses are \$500 and \$6,000 respectively and you are calculating the break-even point for the next month, you need to use the amount of \$500 as the fixed expenses. Variable expenses per unit: Variable expenses vary with a change in producing and selling activities. Fill this field with the variable expenses that you incur to manufacture and sell a single unit of product. Sale price per unit: The price at which a single unit is sold in the market. Outputs to be generated: Break-even point in dollars: This output tells the dollar sales needed to break-even. Break-even point in units: This output tells the number of units to be sold to break-even. The BEP calculator first calculates the break-even point in sales by using the basic BEP formula and then divides the BEP sales by the sale price per unit to find the BEP in units. Let's use the following dataset of sales and costs for a product to conduct a break even analysis. Download Practice Workbook You can download the practice workbook from here. Beak Even Calculation.xlsx Break-Even Analysis Formula The break-even point satisfies the following formulas. Total Fixed Cost + Total Variable Cost = Revenue Where, Revenue = Unit Price * Number of Units Sold So, the number of units that need to be sold at the break-even point becomes. Units Sold = Total Fixed Cost / Contribution Margin Here, Contribution Margin = Selling Price - Variable Cost Per Unit Different Ways to Analyze Break Even Point There are different ways to analyze the break-even point. They are: 1. Break-Even Units: How many units need to be sold at a predetermined price to reach the break-even point: Break-Even Units = Total Fixed Cost / Contribution Margin Here, Contribution Margin = Selling Price - Variable Cost Per Unit 2. Break-Even Sales: This is how much you need to earn from sales to break even: Break-Even Sales = Total Fixed Cost / Contribution Margin Ratio Here, Contribution Margin Ratio = 1 - (Variable Cost Per Unit / Selling Price) 3. Break-Even Price: This is the price of the product you will need for reaching the break-even point when you know the production volume: Break-Even Price = (Total Fixed Costs / Production Volume) + Variable Cost Per Unit How to Do Break-Even Analysis in Excel Method 1 - Use Generic Formula to Calculate Break-Even Point Let's take the sample provided as the base for calculations Select the cell where you want the Units Sold at the break-even point - C8. Write the following formula: Press Enter to get the result. Method 2 - Apply Goal Seek Feature to Calculate Break Even Point in Excel Select the cell where you want the Revenue. Write the following formula. Select the cell where you want the Total Cost. Write the following formula. Select the cell where you want the Profit. Write the following formula. Press Enter and you will get the Profit. Go to the Data tab. Select What-If Analysis. Choose Goal Seek. Select the cell that contains Profit in Set cell. Put To value as 0. For By changing cell, choose a cell for Units Sold. Select OK. Goal Seek Status dialog box will appear. Select OK. The formula will change the Units Sold to reach the break-even point. Method 3 - Use Data Table Feature to Find Break Even Point in Excel Determine the Revenue, Total Cost, and Profit cells by following the steps from the previous method. Create a variable table like the following image, where one axis is the cost and the other is units required. Select the first cell of the new table at the intersection of the headers. Write the following formula to get the profit here. Select the table. Go to the Data tab and select What-If Analysis. Choose Data Table. The Data Table feature will appear. Select Variable Cost Per Unit from the first table as the Row input cell. Select Units Sold from the first table as the Column input cell. Select OK. Excel will fill in the table according to the listed variables in the headers. You can see that when the Variable Cost Per Unit is \$50 you will need to sell 500 products to reach the break-even point. Values in parenthesis are actually negative, meaning that you'd still incur a loss at those points. For example, selling 500 units that cost \$45 a piece puts you \$2,500 above the goal, but each costing you \$55 puts you \$2,500 under. Method 4 - Perform Break Even Analysis in Excel with Charts Select the cell where you want the Revenue. Write the following formula: Press Enter and drag the Fill Handle down to copy the formula to the other cells. Select the cell where you want the Total Cost. Write the following formula: Press Enter and drag the Fill Handle down to copy the formula to the other cells. Select the cell where you want the Profit. Write the following formula: Press Enter and drag the Fill Handle down to copy the formula to the other cells. Select the data table you created for the chart. Go to the Insert tab. Choose Insert Line or Area Chart. Select Line. You will see the estimated break-even point in the chart. Break Even Analysis Template in Excel Step 1 - Create Section for Product Details Create a section for Product Details and fill up the section with information about the product. Step 2 - Calculate Fixed Cost Create a section for Fixed Costs and fill that section with the information you have. Select the cell where you want the Total Fixed Costs and write the following formula: Step 3 - Find Total Variable Cost Per Unit Create a section for Variable Costs and fill that section with the necessary information. Select the cell where you want the Total Variable Cost Per Unit and write the following formula: Step 4 - Create Break-Even Summary Section Create a section for Break-Even Summary. Select the cell where you want the Total Fixed Cost and write the following formula: Select the cell where you want the Total Variable Cost Per Unit and write the following formula: Select the cell where you want the Contribution Margin and write the following formula: Select the cell for the Contribution Margin Ratio and write the following formula: Select the cell for the Break-Even Units and write the following formula: Select the cell where you want the Break-Even Sales and write the following formula: Step 5 - Create Profit/Loss Table Create a table for Profit/Loss. For the Total Cost column, write the following formula in the first cell. Press Enter and drag the Fill Handle to copy the formula through the column. Select first cell in the Total Revenue column and write the following formula. Press Enter and drag the Fill Handle down to copy the formula. Select the cell where you want the Profit/Loss and write the following formula: Press Enter and drag the Fill Handle to copy the formula. Step 6 - Final Output In the following image, you can see the final break-even analysis template. Things to Remember You must include all kinds of costs in the break-even analysis. At the break-even point, there is no profit or loss. Break Even Analysis in Excel: Knowledge Hub

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