



SNS College of Technology

Coimbatore - 35



19BACT602 – Accounting For Managers

Unit IV- Decision Making Tools- I



Presented by

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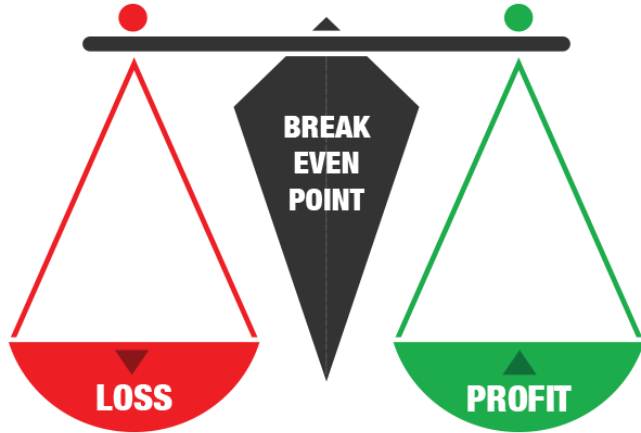
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Redesigning Common Mind
and Business Towards

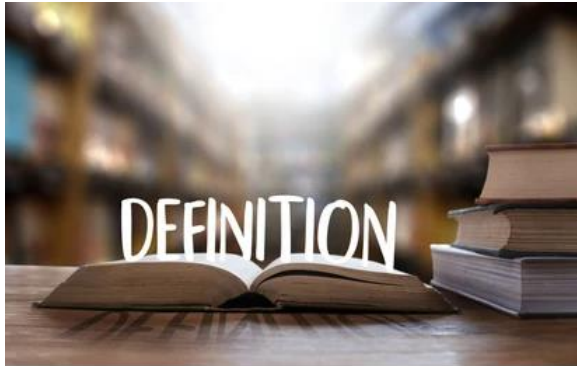


Topic ??????????





Break Even Analysis



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airfocus Product Marketing & Growth | Glossary

Break-Even Point

A Break-Even Point is the point at which total revenue matches the total cost for a particular venture. This is determined through break-even analysis, a process in which fixed and recurring costs are considered against anticipated sales or return on investment.



Meaning of Break Even Analysis

The break-even point is the point at which total cost and total revenue are equal, meaning there is no loss or gain for your small business. In other words, you've reached the level of production at which the costs of production equals the revenues for a product.





Importance of Break Even Analysis

Manages the size of units to be sold: With the help of break-even analysis, the company or the owner comes to know how many units need to be sold to cover the cost. The variable cost and the selling price of an individual product and the total cost are required to evaluate the break-even analysis.

Budgeting and setting targets: Since the company or the owner knows at which point a company can break-even, it is easy for them to fix a goal and set a budget for the firm accordingly. This analysis can also be practised in establishing a realistic target for a company.





Manage the margin of safety: In a financial breakdown, the sales of a company tend to decrease. The break-even analysis helps the company to decide the least number of sales required to make profits. With the margin of safety reports, the management can execute a high business decision.

Monitors and controls cost: Companies' profit margin can be affected by the fixed and variable cost. Therefore, with break-even analysis, the management can detect if any effects are changing the cost.





Helps to design pricing strategy:

The break-even point can be affected if there is any change in the pricing of a product. For example, if the selling price is raised, then the quantity of the product to be sold to break-even will be reduced. Similarly, if the selling price is reduced, then a company needs to sell extra to break-even.





Summary

Break Even Analysis

Meaning

Definition

Importance

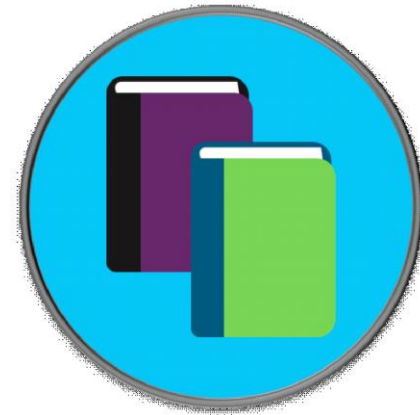
SUMMARY





Reference

- <https://commercemates.com/scope-of-financial-accounting/>





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