



SNS College of Technology

Coimbatore - 35



23BAT605 – FINANCIAL STATEMENT ANALYSIS
Unit IV – MARGINAL COSTING

Topic: Guess?????



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1st Indian Institution to Implement Design Thinking Curriculum
Redesigning Common Mind and Business Towards Excellence



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Topic....





Break Even Analysis



WallStreetMojo

Break-Even Analysis





Break-Even Point Formula

$$\text{Break Even Point} = \frac{\text{Fixed Cost}}{\text{Sales Price Per Unit} - \text{Variable Cost Per Unit}}$$

$$\text{Break Even Point} = \frac{\text{Fixed Cost}}{\text{Contribution Margin Per Unit}}$$







Break Even Analysis





When BEA is used...





Benefits of Break-even analysis





Contd.,





EXAMPLE

- ▶ For example, if it costs R.s. 50 to produce a pen, and there are fixed costs of R.s.1,000, the break-even point for selling the widgets would be:

If selling for R.s. 100: 20 Widgets
(Calculated as $1000 / (100 - 50) = 20$)

If selling for \$200: 6.7 Widgets
(Calculated as $1000 / (200 - 50) = 6.7$)

From this we can make out that the company should sell products at higher price to reach BEP faster.





Time for the assessment...



Break-even analysis is used in “Make or Buy” decision.

- a) True
- b) False





Summary

Break Even Analysis





References...



- <https://corporatefinanceinstitute.com/resource/knowledge/modeling/break-even-analysis/>
- <https://cleartax.in/s/break-even-analysis>



Thank
you





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