

What Does it Take to Breakeven?

How Many Jars Must Be Sold
to Cover Costs?

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"Break-Even Analysis"

- Looking at essential business management information:
 - Sales price
 - Cost of Production
 - Start-up costs
 - Operating costs
 - Variable costs

“Break-Even Analysis” - -

Product Example = Strawberry Preserves

- How many jars must we sell to break even?
- It depends on costs and average sales price you expect to receive.

“Break-Even Analysis”

- Average sales price?
 - Retail Price
 - Wholesale Price
 - Price for single jars
 - Bulk discounts
 - Losses

“Break-Even Analysis”

Assume the
average sales price is
\$3.00
per jar!!!

“Break-Even Analysis”

- Costs?
 - Start-Up Costs
 - Operating Costs
 - Variable Costs

“Break-Even Analysis”

■ Start-up Costs

– Construction	\$14,248
– Land	\$10,000
– Lot Improvements	\$40,848
– Kitchen Equipment	\$38,310
– Office Equipment	\$8,250
– Other	\$11,100
– Total Start-up Costs	\$126,318
(annual payment for 5 years at 7% = \$30,800)	

“Break-Even Analysis”

■ Annual Operating Costs

– Annual Dept Payment.	\$30,800
– Utilities.	\$21,000
– Labor.	\$10,000
– Supplies.	\$2,000
– Advertising.	\$5,000
– Bookkeeping.	\$3,000
– Insurance.	\$4,000
– Repairs.	\$4,000
– Marketing & Promotion.	\$10,000
– Auto/Travel.	\$5,500
– Total Operating Costs	\$98,300

“Break-Even Analysis”

■ Variable Costs Per Unit

– Strawberries	\$0.50
– Sugar	\$0.12
– Jar Lid	\$0.08
– Glass Jar	\$0.35
– Packaging Accessories	\$0.16
– Label	\$0.04
– Labor	\$0.71
– Total Variable Cost Per Jar	\$1.96

"Break-Even Analysis"

How many units must be sold to break-even?

Annual Operating Costs

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(Average Sales Price – Variable Cost Per Jar)

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The number of jars
you must sell per year
to "break-even"

"Break-Even Analysis"

How many units must be sold to break-even?

\$98,300

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(\$3.00 - \$1.96)

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94,520 jars

must be sold to "break-even"

Can you sell
(more than)
94,520 jars
of strawberry preserves
each year?