5.5 Break-even analysis

# Terminology exercise

**Check that you understand the terminology used in this subtopic by dragging the correct word into each space.**

At some point, a business must reach the point, where the total revenue equals the total costs of production. At this point, the assumption is that if a business continues to increase the quantity of the product produced, it will start to earn , where total revenue will exceed total .

Break-even analysis assumes that even at low levels of output, a business can cover the of its product with its revenues. The difference between the selling and the variable costs is known as the per unit. When the business produces an output where total contribution covers the , the break-even point has been reached. Thus, the formula for the break-even point (quantity) is the fixed costs divided by the contribution per unit.

costs | variable costs | profit | contribution | break-even | fixed costs | price

Check

Check

Question: 1 of 3 questions

H5P