

Tutorial 6 Break Even Analysis

- 1) Using break-even analysis as a profit-planning tool, determine if the following business is making profit or not.
 - From an analysis of the operating cost, the company has determined the variable cost per unit is RM20, fixed cost estimated to be RM2,200 per month. The anticipated selling price per unit is RM25
 - The company also has discovered he is unable to classify one cost as either variable or fixed. There is an estimate of RM240 repair and maintenance expense allocation. The repair and maintenance of RM250 is appropriate for an activity level of 400 units.
 - Sales are projected to be 480 units during the next budget period
- i) Determine the break-even point assuming the cost is variable.
- ii) Determine the break-even point assuming the cost is fixed.
- iii) Determine and explain if the company's business is making profit.