

Note : Margin of safety is in Module 3C

Margin of Safety represents the strength of the business. It enables a business to know what is the exact amount it has gained or lost and whether they are above or below the Break Even Point (BEP). In Break Even Analysis, Margin of Safety is the extent by which actual or projected sales exceed the BE sales.

Margin of Safety = Current Output – BE Output

Margin of Safety Ratio = (Current Output – BE Output) / Current Output

Margin of Safety Percentage = (Current Output – BE Output) x 100 / Current Output