3.3 Break-even analysis: 10-minute Pack

AQA 8132 · Calculator allowed · about 10 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

Answer ALL questions in the spaces provided. Show your working for every calculation: method marks are available even if your final answer is wrong. Cedar Crest Candles, used throughout this pack, is a fictional business.

1 Which one of the following formulas correctly calculates the contribution per unit?

- ☐ A) Selling price per unit minus variable cost per unit
- ☐ B) Selling price per unit minus fixed costs
- ☐ C) Total revenue minus total costs
- ☐ D) Fixed costs divided by selling price per unit

(Total for Question 1 is 1 mark)

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2 State two pieces of information needed to calculate a business's break-even output.

(Total for Question 2 is 2 marks)

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3 Calculate Cedar Crest Candles' profit for the month, if it sells 520 boxes. Show your working.

(Total for Question 3 is 3 marks)

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4 State two reasons why break-even analysis, although a useful planning tool, has limitations for a business like Cedar Crest Candles.

(Total for Question 4 is 2 marks)

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Mark scheme · 3.3 Break-even analysis: 10-minute Pack

Question 1

A cao	**B1**

Answer: A

Question 2

the selling price per unit and the variable cost per unit (to find contribution)	**B1**
the business's fixed costs	**B1**

Answer: Selling price per unit, variable cost per unit, and fixed costs.

Question 3

520 x 8.00 seen (= 4,160)	**M1**
4,160 - 3,200 seen	**M1**
£960 cao	**A1**

Answer: £960.

Question 4

it assumes every box made is sold, and that selling price and variable cost per box stay constant regardless of how many are made or sold, which may not be realistic	**B1**
it does not account for a business selling more than one product with different costs and prices, or for external factors like changing demand	**B1**

Answer: Any two, e.g. assumes all output is sold at a constant price/cost; does not allow for multiple products or changing demand.

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