

2.6 Financial planning and break-even

Name: _____ Class: _____ Date: _____

Total: 13 marks

KEY WORDS financial plan 财务计划 • fixed cost 固定成本 • variable cost 变动成本
• break-even 盈亏平衡

Objective

Use a simple financial plan to judge whether a new venture can pay its costs and reach break-even.

You must be able to:

- classify fixed and variable costs
- calculate revenue, total cost, and profit
- use break-even evidence in a business recommendation

1 Worked examples

■ Plan the numbers

A smoothie stall sells each drink for 5. *Fruit and cups cost* 2 for each drink. Its monthly stall rent is \$300.

- **Revenue** 收入 from 100 drinks = $5 \times 100 = 500$.
- **Variable cost** 变动成本 = $2 \times 100 = 200$.
- **Fixed cost** 固定成本 = \$300.
- Profit = $500 - 200 - 300 = 0$.

The stall reaches **break-even** 盈亏平衡 at 100 drinks. At break-even, total revenue equals total cost.

2 Practice

2.1 State whether monthly rent is a fixed cost or a variable cost. [1]

2.2 A venture sells 80 drinks at \$5 each. Calculate its revenue. [1]

2.3 The drinks in Question 2.2 cost 2 each to make and monthly fixed costs are 300. Calculate profit or loss. [3]

3 Exam-style questions

3.1 A student plans to sell phone cases for 12 each. Each case costs 5 to buy. Monthly fixed costs are \$350. Explain why the student should prepare a financial plan before opening. [4]

3.2 The student expects to sell 40 cases in the first month. Use calculations to recommend whether this target is enough to cover the month's costs. [4]
