

How many bars must we sell, and did we stick to the plan? Break-even and budgets

AS Level 5.4.4 Break-even analysis · 5.5 Budgets and variances

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Running case: Wahat Foods, Dubai · 60 minutes

How this topic is examined

Paper 1 • Business concepts • 40 marks

Define the term break-even analysis [2]

Explain one benefit of budgets [3]

Analyse how break-even helps an entrepreneur [5]

Essay: Analyse [8] • Evaluate whether... [12]

Paper 2 • Business decision-making • 60 marks

Explain the term margin of safety [3]

Calculate break-even output or a profit variance [3]

Analyse two causes of a variance [8]

Evaluate a budgeting or launch decision [12]

Typical questions on this topic

Define the term incremental budgets. [2]

Calculate the break-even output for [product]. [3]

Calculate the profit variance. State whether it is favourable or adverse. [3]

Analyse two benefits to a business of using break-even analysis. [8]

Evaluate whether budgets are the most effective way to monitor a hotel. [12]

By the end of this lecture you can...

- 1 Calculate break-even output, margin of safety and profit.
- 2 Draw and interpret a break-even chart.
- 3 Evaluate the uses and limitations of break-even analysis.
- 4 Explain the purpose, benefits and drawbacks of budgets.
- 5 Compare incremental, flexible and zero budgets.
- 6 Calculate and interpret favourable and adverse variances.

END OF PREVIEW

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