

Go Figure...

BREAK-EVEN POINT

Example: Windy River sells each Sunset Bracelet for \$13. The unit variable cost for the bracelet is \$7.65. The amount of total fixed costs that sales of the Sunset Bracelet are expected to contribute is \$280. How many units of the Sunset Bracelet must Windy River sell to break even?

Formula: Break-Even Sales = Variable Costs + Total Fixed Costs
 Unit Sales Price $\times n$ = (Unit Variable Costs $\times n$) + Fixed Costs

Solution:

$$\begin{aligned} \$13.00n &= \$7.65n + \$280 \\ \$13.00n - \$7.65n &= \$280 \\ \$5.35n &= \$280 \\ n &= \$280 \div \$5.35 \\ n &= 52.3, \text{ or } 53 \text{ bracelets} \end{aligned}$$

To break even, Windy River must sell 53 Sunset Bracelets each month.

Go Figure...

TARGET PROFIT

Example: Windy River sells each Sunset Bracelet for \$13. The unit variable cost for the bracelet is \$7.65. The amount of total fixed costs that sales of the Sunset Bracelet are expected to contribute is \$280. The target profit is \$500 per month. How many units of the Sunset Bracelet must Windy River sell to reach its target profit?

Formula: Target Profit = Variable Costs + Fixed Costs + Profit
 Unit Sales Price $\times n$ = (Unit Variable Costs $\times n$) + Fixed Costs + Profit

Solution:

$$\begin{aligned} \$13n &= \$7.65n + \$280 + \$500 \\ \$13n - \$7.65n &= \$280 + \$500 \\ \$5.35n &= \$780 \\ n &= \$780 \div \$5.35 \\ n &= 145.7, \text{ or } 146 \text{ bracelets} \end{aligned}$$

Windy River would have to sell 146 Sunset Bracelets to achieve its target profit.

Your Financial Portfolio

Business Expansion Is More Than Magic

Under the name of Morgan the Magnificent, Victor Morgan has been performing magic since he was eight years old. Now that he's 16, he wants to branch out from school events and birthday parties for friends and family to perform professionally. He already has his own Web site and a performance video. To expand the business, he wrote down strategies and actions he could take.

- Make a flyer and a cover letter I can send out to follow-up phonecalls.
- Contact a public relations agency and offer to do free performances in exchange for their helping me get publicity.
- Call the local newspaper and ask if someone could write an article about me.
- Contact the human resources department of local companies to let them know I'm available to perform at employee functions and holiday parties.
- Contact local chambers of commerce to find out when they are having street fairs or crafts fairs.
- Contact local stores that sell or rent party supplies. Ask if I can post a flyer and if they can recommend me if anybody is looking for an entertainer.
- Contact wedding planners to see if they would recommend me to be part of the wedding entertainment.
- Stop by ice cream stores to find out if I can post a flyer.

Analyze Pick a business in your town. On a separate sheet of paper list eight strategies and actions that could improve or expand the business.