ROUTE MAP NO. 012 · ESSENTIALS · PRICING

How do I work out my break-even point?

9 stops | Method and worked example | Approved by Clive Angel, 30 years in finance

Zero2CFO

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ESSENTIALS · PRICING

How do I work out my break-even point?

Break-even is fixed costs divided by contribution per unit.

9 stops | Method and worked example | Approved by Clive Angel

01 List fixed costs for a period

Pick a period (month or year). List rent, salaries, insurance and other costs that stay the same.

Source 1

02 Price per unit

Use the selling price you charge the customer for one unit.

Source 2

03 Variable cost per unit

Materials, shipping and other costs that rise with each unit sold.

Source 2

04 Contribution per unit

Subtract variable cost from price. That leftover is contribution per unit.

Source 2

05 Break-even in units

Fixed costs for the period divided by contribution per unit equals break-even units.

Source 1

06 Break-even in sales

For mixed products, divide fixed costs by contribution margin %. That is break-even sales value.

Source 3

07 Above break-even?

Are sales above the break-even units or sales value for that period?

Yes — Each extra unit or pound adds contribution.

No — Raise price, cut costs or sell more.

Sources 1, 3

08 Recalculate when costs move

Update the sum when rent, wages or unit costs change, and keep the same period.

Source 1

09 Number you can act on

You know how many units or how much sales cover the fixed costs before profit starts.

KEY: Start here | Decide | Online service | Cost of getting it wrong | Tip | Done

SOURCES checked 9 Nov 2026

1. Method: Break-even units equal fixed costs divided by contribution per unit
2. Method: Contribution per unit equals price minus variable cost per unit
3. Method: Break-even sales equal fixed costs divided by contribution margin percent

General information, not personal advice. Check the source before you act.

Break-even is the sales volume that covers fixed costs for a stated period. Contribution per unit is price minus variable cost. This page is general information, not personal advice.

The route, stop by stop

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You know how many units or how much sales cover the fixed costs before profit starts.

The unit formula

Break-even units equal fixed costs for the period divided by contribution per unit. Contribution per unit equals price minus variable cost per unit.

Worked example (units)

Fixed costs £24,000 a year. Price £40. Variable cost £16. Contribution is £24. Break-even is 1,000 units a year, about 84 a month.

Break-even in sales value

Most owners sell more than one product. Contribution margin % is contribution per unit divided by price. Break-even sales equal fixed costs divided by that percentage. Example:

£24 contribution on a £40 price is 60%. £24,000 ÷ 60% = £40,000 of sales a year.

How to use it

If sales sit below break-even for the period, raise price, cut variable cost, cut fixed cost or sell more. For a real break-even, include what you need to pay yourself in fixed costs. Recalculate when any input changes.

Common questions

Is break-even the same as cash flow?

No. It is a volume or sales target for a period. Cash timing still needs a cash forecast.

What counts as a fixed cost?

Costs that stay the same as volume changes in the period you are looking at, such as rent or base salaries.

Is this personal advice?

No. It is general information, a worked method checked on 9 November 2026. Use your own figures.

Where the rules and methods come from

1. **How it's worked out:** Break-even units equal fixed costs divided by contribution per unit
   Worked example: Fixed costs £24,000 a year. Price £40. Variable cost £16. Contribution £24. Break-even is 1,000 units a year, about 84 a month.
2. **How it's worked out:** Contribution per unit equals price minus variable cost per unit
   Worked example: Sell at £40. Materials and shipping cost £16 each. Contribution per unit is £24.
3. **How it's worked out:** Break-even sales equal fixed costs divided by contribution margin percent
   Worked example: Contribution £24 on a £40 price is a 60% margin. Fixed costs £24,000 a year ÷ 60% = £40,000 of sales a year.

This map is general information, not personal advice. Rules and rates change, so check the sources before you act. If your situation is tricky, talk to your accountant.

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