The Value of Break-Even Analysis

- Shows project viability, i.e. is it worthwhile? and expected profits
- Relatively simple to use, can provide a margin of safety
- Can be used to analyse the effects of changes in a variable, e.g. increasing labour costs
- It can also be used to show the quantity required for a target profit

Weaknesses

- Selling price and costs are not consistent
- Information is based on sales forecasts – and these vary
- Difficult to use if there are a large number of products