

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*

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