SMALL BUSINESS

Break-even calculator

Our break-even calculator is a simple tool you can use to work out how much you need to sell in order to achieve your desired financial return.

Required return

Enter your desired annual financial return	$ 0
Enter your expenses	$ 0
The gross margin required is	**$ 0**

Work out your margin

Enter the cost of labor to produce each good/service	$ 0.00
Enter the cost of materials to produce each good/service	$ 0.00
The total cost to produce each good/service	**$ 0.00**
Enter the sale price of each good/service	$ 0.00
Less the cost to produce each good/service (from above)	$ 0.00
The total gross margin required is	**$ 0.00**

Reset

Enter the number of weeks you can work each year	52

Note: We can't calculate a result as there is no gross profit on each item. Adjust your sale price or costs and try again.

Results

	$ 0	0.0
Number of units that need to be sold to reach target	Total value of sales needed	Number of units that need to be sold each week

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So you have a general idea of how much you'd like your business to earn each year – and you've got a viable product or service. Our break-even calculator is a simple tool you can use to work out how much you need to sell in order to achieve your desired financial return.

You enter:

- › Your desired financial return for the year
- › Annual overhead
- › Per unit pricing
- › Per unit labor and material costs
- › The number of weeks you intend to work each year.

It calculates:

- › Total cost per unit
- › Total gross margin per unit
- › Number of units you need to sell to reach your target
- › Total amount of sales you need to reach your target
- › The units you need to sell weekly to reach your goal.

Why use the break-even calculator?

The break-even calculator helps you define your financial goal for the year and experiment with various factors to see how they affect the outcome. For example, you may realize that your margin is too thin or that you'll need to ramp up sales dramatically to reach your goal.

After inputting your numbers, use the calculator to see how certain changes can affect your bottom line.

Experiment with different scenarios

Testing different scenarios to see what happens – such as changing your per-unit price or lowering wages or overheads – can help you decide if adjustments are needed. Even if overheads, wages, materials costs and prices remain stable throughout the year, having a weekly target number of sales per week can keep you on track.

Examples of factors you can make changes to include:

- › **Overhead** – Would it make sense to move to cheaper office space? Can you work out of your home or garage for the first year? What happens if your rent goes up? The break-even calculator will show you how many more units you'll need to sell each year to make up the difference.
- › **Labor costs** – Can you automate any portion of production? For example, buying or leasing a laser cutter or label applicator could reduce your labor costs. Such a move will increase your overheads, so use the break-even calculator to see which option is best for your business.
- › **Materials costs** – Is it possible to negotiate discounts with your suppliers? If you don't quite have the volume required to qualify for volume discounts, ask about discounts for early payments. Consider shopping around or using alternative materials to reduce your costs, and then use the break-even calculator to see if it's worth switching. If your costs go up, you'll need to either raise your prices, reduce your overheads or make up the difference through volume sales.