



You cannot run a business effectively unless you know your numbers

**Knowing your break-even point is the difference between understanding your finances and just taking a guess.**



## 1

### Check your break-even point.

The calculation is an easy one and worth revisiting.

1. Work out your fixed and variable costs. Fixed costs are expenses that do not change regardless of how much you sell, eg. rent, salaries, and insurance. Your variable costs will change directly in line with the level of production for things like materials and direct labour. That should give you 2 numbers. These your baseline costs.
2. Next you need a selling point. If you are selling services, then it is probably going to be a target income per hour. If you sell goods, then it will be the price per item.
3. Now divide your fixed cost by (sale – variable costs) and the result is your break-even point.

So, in practice then:

If you made bird houses... Fixed costs – Rent on a workshop, utilities, etc., they add up to £3000 a month. You sell your bird houses for £10 each and your materials cost £2.

$£3000 / (£10 - £2) = 375$ . Your break-even point is 375 unit per month.

If you are service based your break-even will be dictated by the number of clients. The formula will be 'Fixed / (sale / variable) = client revenue' needed. The other option is to work out your rate as an hourly income so 'Fixed / hourly rate = hours needed.

So if we swap bird boxes for hourly rate or £35

$£3000 / (£35) = 86$  hours of business per month needed to break even.

There are also number of free break even calculators online.

## 2

### What does it mean to your future trading?

Use the break-even number to run some scenarios that are appropriate to your business. Where are the danger points for your financial stability? What can you do about them?

***If your break-even is telling you that your revenue numbers are dropping or that you can't meet your obligations, call us.***

# Knowing your numbers



This is a 'back to basics' sheet. Its purpose is to give you space to stand back and look at your circumstances. It is a simple way to focus down and think about your situation.

**1 - Work out your CURRENT break-even point**

**2 - What does the break-even point look like if you change things and what could you do to improve it?**

# Actions to take



Take the thoughts from the previous page and create some timed actions. Keep them simple - the goal is to create actionable starting points for long term change.

**We created these guides in to give you a focus... To provide a tool that would help you drill down into your finances. We hope they will give you ideas that will resolve your issues before they build to a crisis point.**

If you need more guidance though, we offer a range of services to help you with business recovery. So if you are concerned your business is heading towards insolvency, or you think you may already be at the point where you need to talk about it, we are here to listen.

**Go to our website and book in for your free initial discussion if you are concerned about insolvency  
The sooner we talk... the sooner we can help**



**Find out more about our insolvency, liquidation or recovery service. Learn how we can support you with clear, straightforward and empathetic guidance and support.**



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