Luke's Candle Shop Exercise - Break-even Analysis

Question 1

a) Identify the formula to calculate the break-even point of sales for a firm.

b) Study the information for Luke's Candle Shop below.

Weekly Costs and Revenue	
Selling price = $4.00 per candle	Packaging = 15 cents per candle
Wax = 50 cents per candle	Rent = $200 per week
Wicker = 35 cents per candle	Machinery = $100 per week

i) Identify the price of each candle.

ii) Calculate the total variable cost for each candle.

iii) Calculate the total fixed costs for this firm.

iv) Calculate the break-even point for Luke's Candle Shop.

v) Calculate the break-even point if Luke's Candle Shop:

- Increased the price to $7.00 per candle
- Decreased price to $3.00 per candle
- Increased variable costs to $1.30 a candle
- Dropped their fixed costs to $250 per week.

Question 2

Complete the table below using the figures from Question 1.

Luke's Candle Shop						
Quantity sold	50	100	150	200	250	300
Total revenue (TR) (price x quantity)						
Fixed costs	300	300	300	300	300	300
Variable costs						
Total costs (TC)						
Profit (TR-TC)						

Question 3

Graph the information from the table.