

Calculating Contribution and Breakeven

Formula:

Contribution per unit =
Selling price per unit – variable costs per unit

Breakeven point (units) =

$$\frac{\text{Fixed costs}}{\text{Contribution per unit}}$$

Example:

Fixed costs	£15 000
Selling price per unit	£8
Variable cost per unit	£2

Calculate the breakeven number of units

Answer:

$$\frac{\text{Fixed costs (£15 000)}}{\text{Selling price per unit (£8) – Variable costs (£2)}}$$

Breakeven point = 2 500 units