**Activity – New nightclub – Neath**

Your task is to calculate the breakeven point and the profit and loss areas of the below example.

Megan Evans has just opened a new nightclub in the centre of Neath. She drew up a business plan and is now opening the club.

**The average price per drink is £3.50**

**The costs she has researched are as follows:**

Average cost of a drink is - £1.50;

Salaries - £2,000 per month;

Loan repayment - £1,250 per month

Rent and rates £1,350 per month.

Utility bills - £400 per month.

Machinery rental - £1,000 per month.

1. Calculate the total fixed and variable costs of the business. (2 marks)
2. Calculate the contribution per unit? (2 marks)
3. Calculate the breakeven point in units? (2 marks)
4. Calculate the profit that would be made if 4,000 items would be sold (3 marks)

**Neath – Nightclub**

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1. Calculate the total fixed and variable costs of the business. (2 marks)

**Fixed costs**

Salaries - £2,000 per month;

Loan repayment - £1,250 per month

Rent and rates £1,350 per month.

Utility bills - £400 per month.

Machinery rental - £1,000 per month.

**Total fixed costs - £6,000**

**Variable costs**

Average cost of haircut - £1.50

**Total variable costs - £1.50**

1. Calculate the contribution per unit? (2 marks)

Contribution per unit = Selling price – Variable costs (per unit)

Contribution per unit = £3.50 – 1.50

**Contribution per unit = £2**

1. Calculate the breakeven point in units? (2 marks)

**Break-even output = Fixed costs**

 **Contribution per unit.**

**Contribution per unit = Selling price – Variable costs (per unit)**

Break even in units = 6,000

 £3.50 – 1.50

Break even in units = £6,000 / 2

**Break even in units = 3,000 drinks**

1. Calculate the profit that would be made if 4,000 items would be sold (3 marks)

**Profit per sales**

**Profit per sales = Predicted sales – Break even sales x Contribution per unit**

Profit per sales = 4,000 – 3,000 x £2

Profit per sales = 1,000 x £2

Profit per sales = £2,000

His profits per month on sales 4,000 items will be £2,000