**Activity 4 – New all you can eat restaurant – Port Talbot**

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

Jamie Stevens has just opened a new all you can eat restaurant in the centre of Port Talbot specialising in selling all you can eat meals at any time of the week. He drew up a business plan and is now opening a shop.

**The all you can eat meal price is £10 per person**

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

Average cost of meal - £5;

Salaries - £2,225 per month;

Loan repayment - £700 per month

Rent and rates £1,175 per month.

Utility bills - £950 per month.

Machinery rental - £450 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 1,500 items would be sold (3 marks)

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

**Fixed costs**

Salaries - £2,225 per month;

Loan repayment - £700 per month

Rent and rates £1,175 per month.

Utility bills - £950 per month.

Machinery rental - £450 per month.

**Total fixed costs - £5,500**

**Variable costs**

Average cost of meal - £5

**Total variable costs - £5**

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

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

Contribution per unit = £10 – 5

**Contribution per unit = £5**

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 = 5,500

£10 – 5

Break even in units = £5,500 / 5

**Break even in units = 1,100 meals**

1. Calculate the profit that would be made if 1,500 items would be sold (3 marks)

**Profit per sales**

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

Profit per sales = 1,500 – 1,100 x £5

Profit per sales = 400 x £5

Profit per sales = £2,000

His profits per month on sales 1,500 items will be £2,000