

Contribution per unit

= Selling price per unit – Variable cost per unit

Candleworks is a company that sells candles.

- Selling price per candle = Dh500
- Variable cost per candle = Dh300
- Total fixed costs = Dh10,000

Step 2: Calculate the break-even point

Break-even point

= Total fixed costs \div Contribution per unit

Cakeworks is a company that sells cakes:

- Quantity sold = 5,000
- Selling price per cake = Dh250
- Variable cost per cake = Dh150
- Total fixed costs = Dh8,000
- Contribution per unit = Dh100