**CU3M1 Breakeven Analysis Questions**

1. Anna Slaws has a small business selling wreaths during the holiday season. She rents the space to make her wreaths from a neighbor for $2000/month, including utilities. She doesn’t have any employees, but she does pay her daughter $500 per month to help him with the business. Each wreath requires a wire ring, greens, bow and cones. The cost of those items is listed below. The wreaths are sold wholesale to a local nursery for $12 each.

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| **Wreath making supply costs:** |  |
| Wire ring | $1 each |
| Greens | $1 for each wreath |
| Cones | $.10 per wreath |
| Bow | $.25 each |

1. Identify the variable costs, and calculate the total variable costs.
2. Identify the fixed costs, and calculate the total fixed costs.
3. List the formula for determining the breakeven point in units.
4. How many wreaths must Anna sell to earn a profit?
5. If Anna can collect the greens and cones from her own property, rather than buying them, how many wreaths does she need to make to earn a profit?
6. Anna is considering selling the wreaths directly from her shop. She will be able to sell them to the public for $25 each, but because this will be so much more work she would want to double the amount of money she pays her daughter for help. Do you think Anna should do this? Why or why not? (Use the original figures in the table for any calculations)