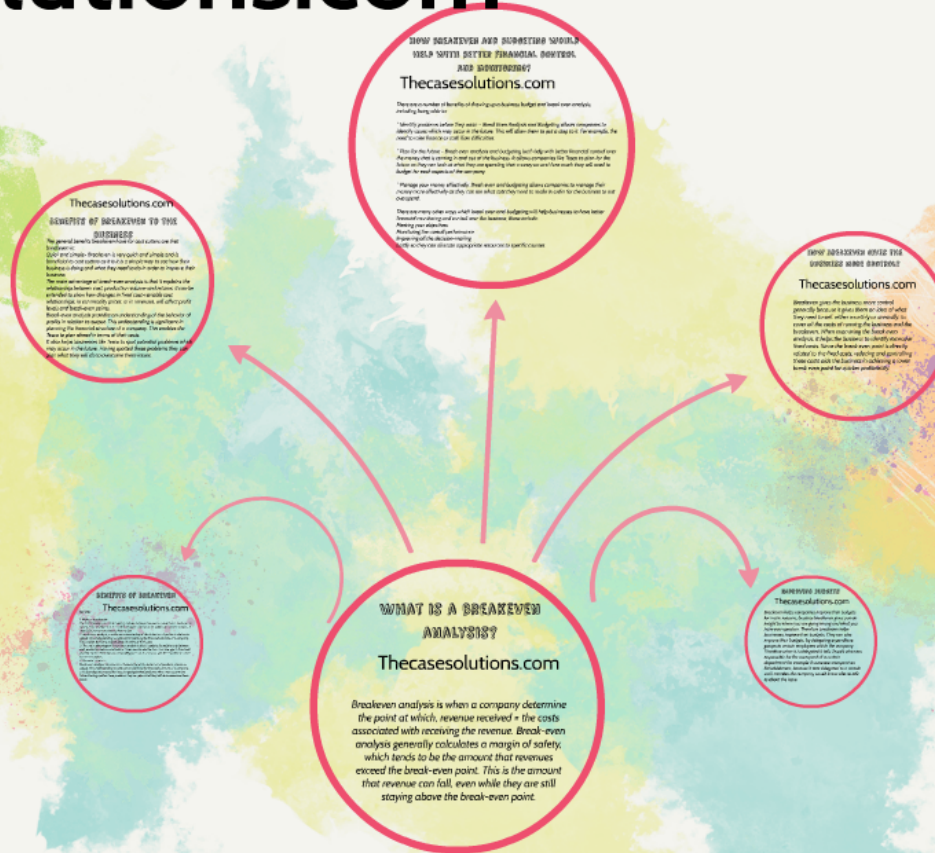
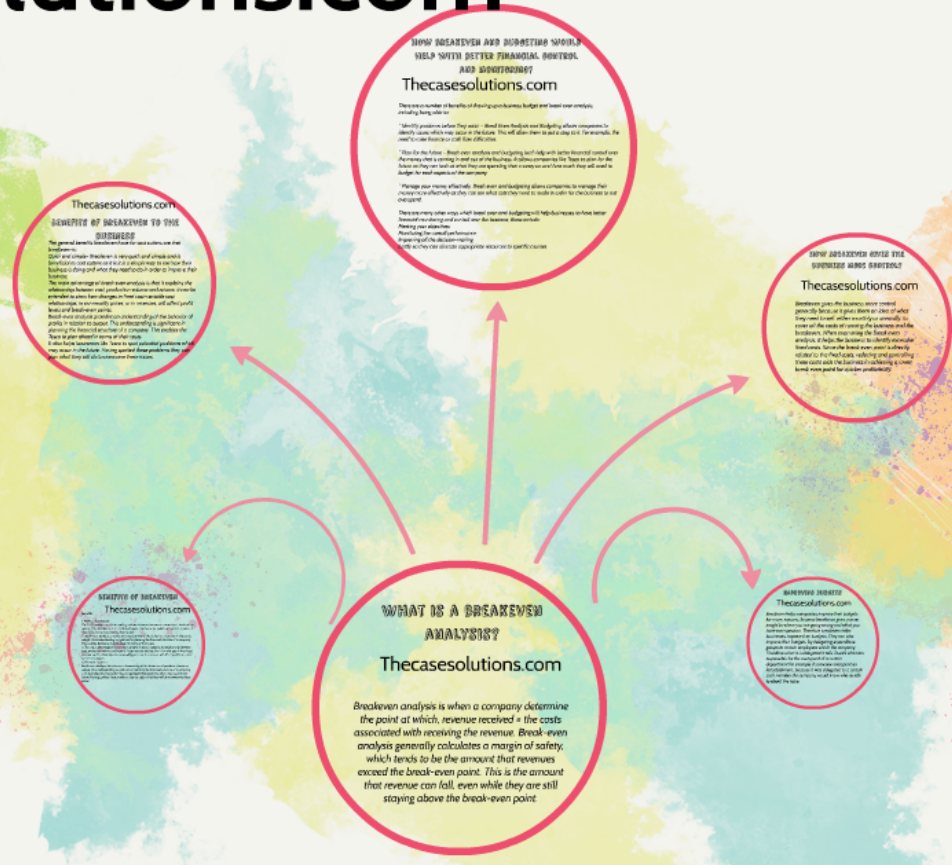


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WHAT IS A BREAKEVEN ANALYSIS?

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Breakeven analysis is when a company determine the point at which, revenue received = the costs associated with receiving the revenue. Break-even analysis generally calculates a margin of safety, which tends to be the amount that revenues exceed the break-even point. This is the amount that revenue can fall, even while they are still staying above the break-even point.

BENEFITS OF BREAKEVEN

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Benefits:

1. *Make or buy decision:*

The C-V-P analysis assists in making a choice between two courses of action to make versus to buy. If the variable cost is less than the price that has to be paid to an outside supplier, it may be better to manufacture than to buy.

2. *Break-even analysis provides an understanding of the behaviour of profits in relation to output. This understanding is significant in planning the financial structure of a company. This enables the Tesco to plan ahead in terms of their costs.*

3. *The main advantage of break-even analysis is that it explains the relationship between cost, production volume and returns. It can be extended to show how changes in fixed cost-variable cost relationships, in commodity prices, or in revenues, will affect profit levels and break-even points.*

4. *Financial structure:*

Break-even analysis provides an understanding of the behaviour of profits in relation to output. This understanding is significant in planning the financial structure of a company.

5. *It also helps businesses like Tesco to spot potential problems which may occur in the future. Having spotted these problems they can plan what they will do to overcome these issues*

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BENEFITS OF BREAKEVEN TO THE BUSINESS

The general benefits breakeven have for cost cutters are that breakeven is;

Quick and simple- Breakeven is very quick and simple and is beneficial to cost cutters as it is a simple way to see how their business is doing and what they need to do in order to improve their business.

The main advantage of break-even analysis is that it explains the relationship between cost, production volume and returns. It can be extended to show how changes in fixed cost-variable cost relationships, in commodity prices, or in revenues, will affect profit levels and break-even points.

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HOW BREAKEVEN GIVES THE BUSINESS MORE CONTROL?

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Breakeven gives the business more control generally because it gives them an idea of what they need to sell, either monthly or annually, to cover all the costs of running the business and the breakeven. When examining the break even analysis, it helps the business to identify excessive fixed costs. Since the break even point is directly related to the fixed costs, reducing and controlling these costs aids the business in achieving a lower break even point for quicker profitability.

IMPROVING BUDGETS

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Breakeven helps companies improve their budgets for many reasons, because breakeven gives you an insight to where you are going wrong and what you have over spent on. Therefore breakeven helps businesses improve their budgets. They can also improve their budgets by delegating expenditure groups to certain employees within the company. Therefore when it is delegated it tells Tesco's who was responsible for the overspend of a certain department for example if someone overspent on Refurbishment, because it was delegated to a certain staff member the company would know who to talk to about the issue.

HOW BREAKEVEN AND BUDGETING WOULD
HELP WITH BETTER FINANCIAL CONTROL
AND MONITORING?

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There are a number of benefits of drawing up a business budget and break even analysis, including being able to:

** Identify problems before they occur - Break Even Analysis and Budgeting allows companies to identify issues which may occur in the future. This will allow them to put a stop to it. For example, the need to raise finance or cash flow difficulties.*

** Plan for the future - Break even analysis and budgeting both help with better financial control over the money that is coming in and out of the business. It allows companies like Tesco to plan for the future as they can look at what they are spending their money on and how much they will need to budget for each aspects of the company.*

** Manage your money effectively. Break even and budgeting allows companies to manage their money more effectively as they can see what cuts they need to make in order for the business to not overspend.*

There are many other ways which break even and budgeting will help businesses to have better financial monitoring and control over the business, these include:

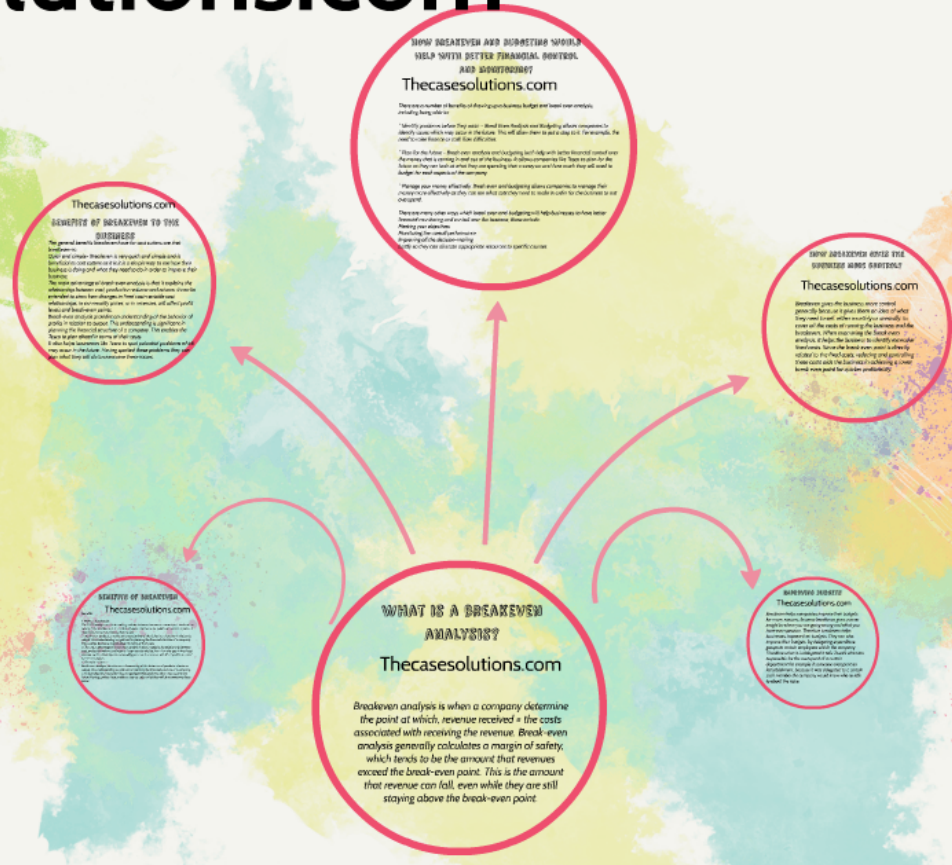
Meeting your objectives

Monitoring the overall performance

Improving all the decision-making

Lastly so they can allocate appropriate resources to specific courses.

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