A Restaurant sells 350 portions of an item in a week at the rate of Rs 10/-per portion. The food cost is 40% of the selling price. Total fixed cost per week amounts to Rs 2400/-. How many more portions does the restaurant have to sell in order to breakeven?

Solution:

Fixed cost: Rs 2400/- Variable or Food cost = 40% of Rs10/- = Rs 4/-

Selling Price =Rs 10/-

Present Sales: 350 covers.

B.E.P.(Sales in unit) ? How many more covers?

$$\text{B.E.P.(Units)} = \frac{\text{FIXED COST}}{\text{SALES (Unit)-VARIABLE COST (Unit).}}$$

2400/10-4 = 2400/6 =400 portions.

So we need to sell 400-350= **50** more portions to achieve Break even.

Old Wagon Restaurant averages 900 covers per month. The average spending power is Rs80/-.Variable Costs equal 45% 0f the revenue. The fixed costs are Rs 22000/- Calculate the break even point as well as margin safety.

Solution:

Fixed cost: Rs 22000/- Variable or Food cost = 45% 0f Rs80/- = Rs 36/-

Selling Price

Or A.S.P =Rs 80/-

Present Sales: 900 covers. B.E.P.= ? M.O.S. = ?

B.E.P. M.O.S = Sales - B.E.P. Sales Rs. 900 -500 = **400 Covers**.

= FIXED COST

ASP – V.C.(Unit) Or, 400XRs80/-= **Rs.32,000**/-

= 22000/80 – 36

= 22000/44

= **500** Covers.

The information given below is in respect of K.F.C. Restaurant for a period of one month:

Maximum covers sold = 10000

ASP per cover =Rs 10/-

Fixed costs=Rs 30,000

Variable cost =40% 0f Sales

Compute the following P/V Ratio, BEP Sales BEP (Covers) Margin of Safety.

Solution:

Sales = 10000 X 10 = Rs 1,00,000/-.

Variable cost = 40% of Sales = Rs 40,000./-

P/V Ratio = Sales – Variable Cost/ Sales X100 = 10-4/10X100 =**60%**

BEP Sales = Fixed cost/ Sales –Variable cost /Sales

30,000/60% = Rs 50,000.

BEP (Covers)= FIXED COST = 30,000/10-4 = **5,000 Covers**

ASP – V.C.(Unit)

Margin of Safety.= SALES – BEP (SALES) =Rs/- 1,00,000 – Rs/- 50,000.

= **Rs. 50,000/-**