

Pricing for Profit Worksheet

Cost-Based Pricing Formula:

$$\text{Price/unit} = \text{Fixed Cost/unit} + \text{Variable Cost/unit} + \text{Profit/unit}$$

From Financial Statements:

- Total Fixed Costs = \$30,000
- Total Variable Costs = \$38,000
- Profit Goal = \$10,000 / year
- Total Units Sold = 2,500

What would be the Price?

$$\text{Price} = \text{Fixed Costs} + \text{Variable Costs} + \text{Profit}$$

per unit per unit per unit per unit

$$\text{Price} = \frac{\$30,000 + \$38,000 + \$10,000}{2,500} = \$31.20$$

Break-Even Formula:

$$\text{BE Sales} = \frac{\text{Total Fixed Cost}}{\text{Gross Profit Margin}}$$

From Financial Statements:

- Total Fixed Costs = \$30,000
- Gross Profit Margin = 64%

How Much Must Be Sold to Break-Even?

$$\text{BE Sales } \$ = \frac{\text{Total Fixed Costs } \$}{\text{Gross Profit Margin } \%}$$

$$\text{BE Sales } \$ = \frac{\$30,000}{64\%} = \$46,875$$