4.2.3 Break-even charts (Contribution)

Learning objectives (4.2.3)

Knowledge

Students will understand:

* the concept of contribution.

Skills

Students will be able to:

* use contribution to help when making break-even decisions.

Key business terms

Break-even; contribution; fixed costs; loss; profit; revenue; total cost; variable costs

Resources

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| Student Book pages 258–264 |
| Activity Sheet 4.2.3D |

Lesson ideas

It is anticipated that the materials below will be integrated into coverage of break-even (4.2.3) or delivered as standalone activities. This topic would ideally be delivered within a short single lesson or as a 30-minute block.

Starter suggestion

**Core concept:** Ask students to brainstorm all of the costs that might go into the production of a pencil case. Ask them to identify these costs as fixed or variable. Then, ask them to suggest a price for the pencil case. Discuss with the class how they made the pricing decision – did they implicitly use break-even and/or contribution without realising it?

Main lesson activities

**Cut ‘n’ stick:** Print ‘The concept’ from Activity Sheet 4.2.3D. Cut this into sections, mix them up and issue a set to each student. Instruct students to reconstruct the text in the correct order. Alternatively, use the text to create a gapped worksheet.

**Calculate:** Ask students to complete the calculation and analysis exercise on Activity Sheet 4.2.3D.

Plenary suggestion

**Double-check:** Ask students to use the contribution method to double-check any previous break-even exercises completed (those on page 264 of the Student Book or Activity Sheet 4.2.3C for example).

**Elevator ride:** Put students in pairs and tell them that they have the length of an imaginary elevator ride (1 minute) to explain the following: 1st student should explain the concept of break-even and 2nd student should explain how contribution helps when calculating break-even. Give weaker students time to prepare their elevator talk (1 minute as they ‘queue’ for the elevator).