

# Breakeven point argumentative essay



The most important functionality of the breakeven point is the economic awareness that is associated with it. Through a simple equation, individuals can learn a plethora of information about the different costs which create the products of a company, the operation of that company, realistic sales goals, and the success of a company.

First and foremost, the breakeven point is a necessary examination to determining whether financial success is possible with a company's given inputs and outputs. Ignorance regarding the profit margins of a company is detrimental to both internal and external users. Internal users would scratch their head, trying to figure out if their company is profitable in the short and long-term. External users cannot make educated investments and give assistance if necessary information is absent.

The breakeven model dissociates the fixed and variable costs from the company's production to give the best possible impression of where the company is allocating their expenses. For example, as an investor, knowing total costs of \$100, 000 a year for a company offers me no concrete evidence to the management of the business. However, if I (an investor) see the differentiation of \$50, 000 to fixed costs and variable costs, I can begin game planning how I would differently allocate resources to create a more ideal ratio of costs.

Because the breakeven point models cost versus production, internal members in a company can utilize the model to create realistic sales figures. Finally, the breakeven point can even provide insight to shifting the direction of production. This model is so important because it's the simplest way for a

business to determine if what it charges for its products and services will cover what it costs to make the products or provide those services.

If the amount of sales a company needs to break even is more than it can realistically achieve in a year, then the business knows its products or services may not be priced well – or it needs to work to reduce costs. The higher the fixed costs for the business, the higher the breakeven point will be, meaning the more offerings it needs to sell. Additionally, the business owner should know the total contribution each product and service generate to the company's overall profit.

This step is important because it can help businesses determine products and services that aren't actually profitable, and the company can decide if it needs to raise the price, reduce the cost of offering it, or possibly discontinue it. Additionally, the business owner should know the total contribution each product and service generate to the company's overall profit. This step is important because it can help businesses determine products and services that aren't actually profitable, and the company can decide if it needs to raise the price, reduce the cost of offering it, or possibly discontinue it.