

**7.1 Determining Price**

The two main factors that determine prices are

1. \_\_\_\_\_
2. \_\_\_\_\_

A Break-Even Analysis is: \_\_\_\_\_

<b><u>Variable Costs:</u></b>	<b><u>Ex:</u></b>
<b><u>Fixed Costs:</u></b>	<b><u>Ex:</u></b>

Gross Profit/Contribution Margin = \_\_\_\_\_ - \_\_\_\_\_

Break Even Point (BEP) = \_\_\_\_\_ / \_\_\_\_\_

- # of units that need to be sold to break even

Economies of Scale are \_\_\_\_\_

Four ways that marketers use economies of scale are:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

**5 Most Common Pricing Mistakes:**

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

**CALCULATING PROFIT: GROSS PROFIT AND BREAK-EVEN POINT**

1. Fill in the missing information in the following chart. (Hint: In this scenario, neither total fixed cost nor variable cost per unit changes, regardless of the quantities you produce.)

# of units sold →	1	50	100	500	1000	2000	10 000
Total fixed cost	\$18 000						
Total variable cost							
Total cost							
Fixed cost per unit							
Variable cost per unit	\$22						
Total cost per unit							

2. What do you notice about the total cost per unit, as the number of units sold increases?

3. Your company has decided to charge \$50 for the product in the above scenario
  - a. Calculate the break-even point.

HINT:

Gross Profit = selling price – variable cost

BEP = fixed costs / gross profit

4. What can companies do if they believe they can't sell enough units to break even?