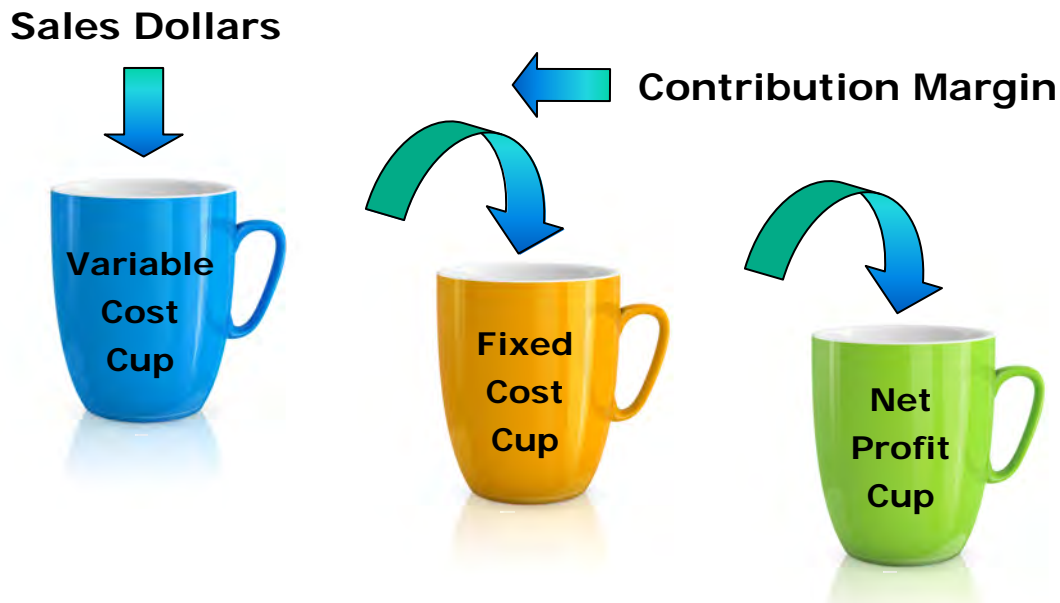


# The Cup Theory

## The Concept of Contribution Margin



To Calculate Break-even:

1. Separate into fixed (F) and variable (V)

2.  $VC\% = \frac{\text{Variable Costs}}{\text{Sales}} \times 100 = \underline{\hspace{2cm}}\%$

Contribution Margin % =  $100\% - VC\% = \underline{\hspace{2cm}}$

3. FC \$: Total all FC = FC \$

4. Break-even =  $\frac{FC}{100\% - VC\%} = \frac{FC}{CM\%} = \$\underline{\hspace{2cm}}$

5. If FC  $\uparrow$  or FC  $\downarrow$  by \$1:

$\frac{1}{100\% - VC\%} = \$ \text{ must go } \uparrow \text{ or } \downarrow \text{ by } \underline{\hspace{2cm}}$