20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1. **BEP (Units) = Fixed Cost divided by Contribution per unit.**
   This is the standard formula for break even point expressed in number of units or loans.

2. **BEP in sales value = Fixed Cost divided by the P/V Ratio.**
   This version is used when totals like total sales and total contribution are given instead of per-unit figures.

3. **Contribution equals Selling Price minus Variable Cost.**
   Contribution is the amount left after variable cost that goes first to cover fixed cost and then to profit.

4. **At the break even point, Total Revenue equals Total Cost and profit is exactly zero.**
   This is the core definition of BEP used throughout cost accounting and banking exams.

5. **P/V Ratio = Contribution divided by Sales, often shown as a percentage.**
   The P/V ratio measures how efficiently sales convert into contribution and profit.

6 **A higher contribution per unit lowers BEP, while higher fixed or variable cost raises it.**

Contribution and cost move BEP in opposite directions, a key cause-effect relationship tested in exams.

7 **Margin of Safety equals Actual Sales minus Break Even Sales.**

Margin of safety shows how far sales can fall before the business starts making a loss.

8 **Fixed costs such as staff salaries and branch rent stay constant regardless of business volume.**

Fixed costs must be paid even if a bank branch does zero business in a period.

9 **Variable costs such as loan processing and payment gateway charges rise and fall with business volume.**

Variable costs move directly with the number of loans, transactions or accounts processed.

10 **Profit above break even equals Total Contribution minus Fixed Cost.**

Once fixed cost is fully recovered at BEP, every extra rupee of contribution becomes profit.

11 **A higher P/V ratio means a lower break even point and stronger profitability per rupee of sales.**

Since BEP equals Fixed Cost divided by P/V ratio, a larger ratio needs fewer sales to break even.

12 **The Angle of Incidence is formed where the total revenue line crosses the total cost line at BEP.**
A wider angle of incidence indicates a faster rate of profit growth once the break even point is crossed.

13 **The Cash Break Even Point excludes non-cash fixed costs such as depreciation.**
Removing depreciation gives a lower, cash-only break even level useful for liquidity analysis.

14 **Composite BEP for a bank with multiple products uses a weighted average contribution based on sales mix.**
Composite BEP reflects reality since a bank branch typically sells more than one product at once.

15 **On a break even chart, the area below the intersection point is the loss zone and above it is the profit zone.**
The break even chart plots output on the X-axis and cost or revenue in rupees on the Y-axis.

16 **Banks use BEP analysis to assess branch profitability, viability and expansion decisions.**
BEP tells management whether a branch is loss-making, merely sustainable, or genuinely profitable.

17 **BEP analysis helps banks price loan interest rates, processing fees and service charges.**
Pricing decisions rely on BEP so that a product comfortably clears its break even level.

18 **In credit appraisal, a borrower operating well above its own break even point is seen as a lower credit risk.**
Bankers assess a project or borrower BEP to judge how safely it can service and repay a loan.

19 **Banks apply BEP analysis to judge cost recovery for digital products like mobile apps and fintech tie-ups.**
BEP helps management decide whether a new digital investment will pay back before committing large capital.

20 **BEP is a recurring, scoring topic in IIBF JAIIB and CAIIB exams, tested via concepts, numericals and case studies.**
Its predictable pattern year after year makes it one of the easiest topics to prepare thoroughly.