8 Conclusion

Break-even analysis is useful as a first step in developing financial applications, which can be used in invoicing and budgeting. The main purpose of this analysis is to have some idea of how much to sell, before a profit will be made. Break-even analysis is extremely important before starting a *new business* (or launching a new product) because it gives answers to crucial questions such as "how sensitive is the profit of the business to decreases in sales or increases in costs". This analysis can be also extended to *early stage business* in order to determine how accurate the first predictions were and monitor whether the firm is on the right path (the one that leads to profits) or not. Even, *mature business* must take into consideration their current B.E.P. and find ways to lower that benchmark in order to increase profits.

Owners and managers are constantly faced with decisions about selling prices and cost control (recent massive layoffs at large multinational corporations are directed at this target, lowering the B.E.P. and increasing profits). Unless they can make reasonably accurate predictions about the price and cost charges, their decisions may yield undesirable results. These decisions are both short term (hiring new employees or subcontracting out work) and long term (purchasing plants / machinery).