










## Unit RO64: Enterprise and Marketing




### Learning Outcome 2: Understand what makes a product or service financially viable

Use the faces to check and date your understanding of each section.

Section	Content			
A range of factors that affect the viability of products or services, i.e. 2.1 Cost of producing the product or service	<ul style="list-style-type: none"> <li>☑ Fixed costs i.e. costs that do not vary with output, i.e.</li> <li>- rent</li> <li>- loan repayment</li> <li>- insurance</li> <li>- advertising</li> <li>- salaries</li> <li>- utilities</li> </ul>			
	Variable costs i.e. costs that do vary with output i.e. <ul style="list-style-type: none"> <li>- raw materials</li> <li>- components</li> <li>- stock</li> <li>- packaging</li> </ul>			
	Total costs i.e. fixed costs + variable costs			

Section	Content			
2.2 Revenue generated by sales of the product or service	How to calculate total revenue (Selling price x Number of sales)			

Section	Content			
2.3 Use of break-even as an aid to decision making	Definition of break-even <ul style="list-style-type: none"> <li>- i.e. the level of output where Total revenue = Total costs</li> </ul>			
	Break-even formula i.e. Fixed costs Selling price per unit - Variable cost per unit			
	Break-even graphs <ul style="list-style-type: none"> <li>- interpretation of a break-even graph in order to identify the break-even point</li> </ul>			
	How break-even information is used			

Section	Content			
2.4 Profit level	How profit per unit is calculated <ul style="list-style-type: none"> <li>- i.e. Revenue (selling price) per unit - Total costs per unit</li> </ul>			
	How profit is calculated for a given level of output <ul style="list-style-type: none"> <li>- i.e. Sales revenue - Total costs</li> </ul>			