How to Make a Break-Even Analysis in Microsoft Excel

A break-even analysis is an important part of starting a new business.

Lawrence E. Grabowski 6 min read · Jul 24, 2020

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A break-even analysis is a tool used to determine exactly how much money you need to cover your business expenses in a given year. I made one in Excel that allows me to see how changing a single variable impacts the break-even point. People seemed to like how easy it made the analysis, so now I'm sharing the process I used to create the sheet.

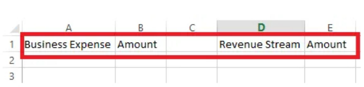
It only includes the costs of the business, like office space, a computer, insurance, etc. and does not include things like housing, food, gas, etc., unless those tie directly back to the business.

It also only includes money the business is making. If you are starting a business while your (domestic) partner continues working at their own job, you won't include your partner's income in your break-even analysis.

Getting Started

To make our break-even analysis in Excel we're going to use "=," some basic math, Copy/Cut/Paste, and the SUM function. Once we're done, you'll be able to instantly see how changing a single variable affects your entire plan. First, we'll discuss how to make the sheet and then how to modify it.

Open a blank Excel doc and add the following columns:



	A	B	C	D	E
1	Business Expense	Amount		Revenue Stream	Amount
2					
3					

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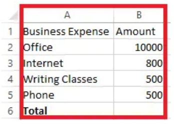
Adding Business Expenses

Now add the names of your business expenses and the estimated annual amounts.

Type **Total** at the bottom of the **Business Expense** column (I like to highlight the **Total** row (crtl+B) but you don't have to):



	A	B
1	Business Expense	Amount
2	Office	10000
3	Internet	800
4	Writing Classes	500
5	Phone	500
6	**Total**	

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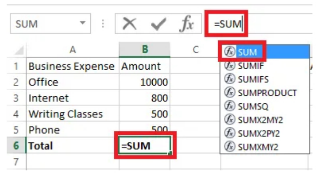
In the cell next to **Total**, type **=SUM** and then double click on SUM from the menu that appears:



	A	B	C
1	Business Expense	Amount	
2	Office	10000	
3	Internet	800	
4	Writing Classes	500	
5	Phone	500	
6	**Total**	=SUM	
7			

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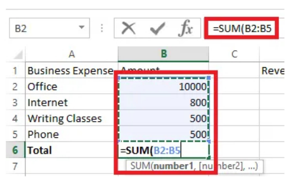
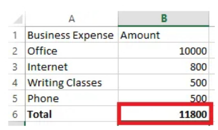
To fill in the SUM formula, left click and hold on the first expense value (10,000) and drag to the last expense value (the second 500). The sum formula populates automatically:



	A	B	C
1	Business Expense	Amount	Reve
2	Office	10000	
3	Internet	800	
4	Writing Classes	500	
5	Phone	500	
6	**Total**	=SUM(B2:B5	
7			

Screenshot by Author

Hit <Enter> and your sum will appear:



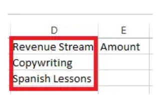
	A	B
1	Business Expense	Amount
2	Office	10000
3	Internet	800
4	Writing Classes	500
5	Phone	500
6	**Total**	**11800**

Screenshot by Author

Adding Revenue Streams

Revenue (or income) streams are the different ways your business makes money. For this break-even analysis, I have included freelance copywriting and Spanish tutoring. I also have a conventional job, but that money is not associated with my business, so I haven't included it in the break-even analysis.

Fill in the **Revenue Stream** column with your different revenue streams:



D	E
Revenue Stream	Amount
Copywriting	
Spanish Lessons	

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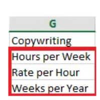
At the top of a new column, type the name of one revenue stream, and underneath that, **Hours per Week**, **Rate per Hour**, and **Weeks per Year**:



G
Copywriting
Hours per Week
Rate per Hour
Weeks per Year

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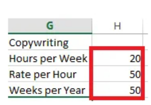
In the next column, fill in the hours per week, the rate per hour, and the weeks per year you're anticipating engaging in your revenue stream:



G	H
Copywriting	
Hours per Week	20
Rate per Hour	50
Weeks per Year	50

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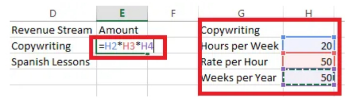
Return to the **Revenue Stream** column, and in the cell next to your first revenue stream, type =. Then select the value next to **Hours per Week** cell, type *, select the value next to **Rate per Hour**, type *, and select the value next to **Weeks per Year**. The formula will autocomplete:



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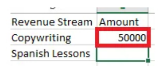
Hit <Enter> and Excel will do the math for you:



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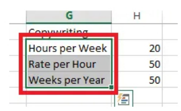
Now, left-click and hold on **Hours per Week** and drag down to **Weeks per Year**:



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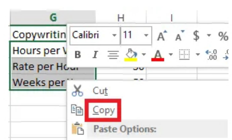
Right-click on the highlighted box and select Copy:



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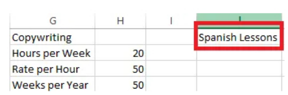
In a new column, type your next income stream in the top row:



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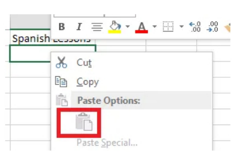
Right-click in the cell underneath it and select Paste:



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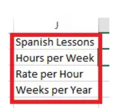
And you should have this:



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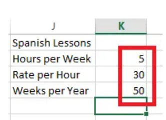
Add the values, just like before:



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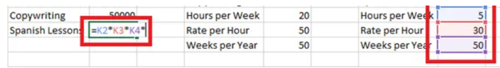
Return to the **Revenue Stream** column, press "=," and use the same formula you did for the previous revenue stream:



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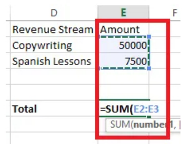
Do this for all your revenue streams.

Once you've done that, type **Total** in a cell under your revenue streams. Add the SUM formula into the adjacent cell and highlight your **Amounts**:



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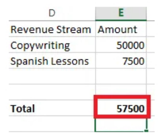
Hit <Enter>. Now you should have the sum of all your revenue streams:



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Note that I have done a per-hour calculation rather than a per-project. It's easier for me to conceptualize the amount of work I need to do, and the Excel formulas are less complicated.

If I wanted to do a per-project calculation, I would replace Copywriting with a pair of columns for each project type:

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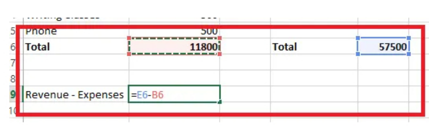
Adding the Break-even Calculation

Go down to a new cell and type **Revenue - Expenses**. In the adjacent cell, type "=," then select the **Revenue Total** cell, type "-," and select the **Expense Total** cell, (Make sure you select the **Revenue** cell before the **Expenses** cell):



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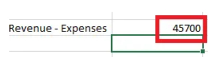
Hit <Enter>. The closer the cell is to 0, the closer you are to your break-even point:



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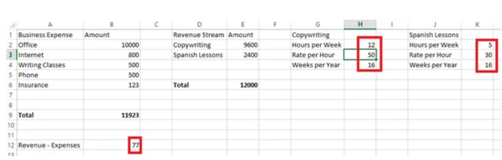
Finding Your Break-even Point

Now, you can adjust the **Hours per Week**, **Rate per Hour**, and **Weeks per Year**, and adjust your anticipated expenses. Once your **Revenue-Expenses** cell is as close to 0 as possible, but still positive, you've found your break-even point.



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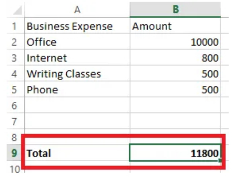
You can also adjust your expenses. To add expenses, highlight your **Total** cell and the **SUM** cell, right-click, Cut, and then Paste further down:



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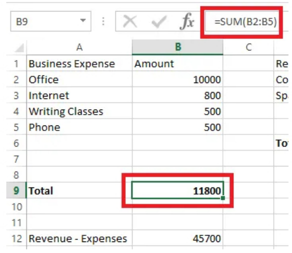
Select the **SUM** cell to see the formula in the formula bar:



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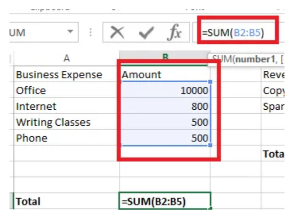
Click on the formula bar and you can see the cells that are currently being summed:



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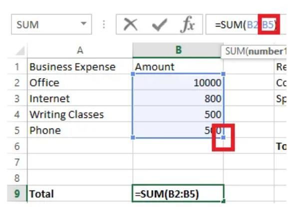
To change the cells being summed, edit the cells in the formula bar or left-click and hold on the square on the bottom right corner of the blue box and drag it up or down:



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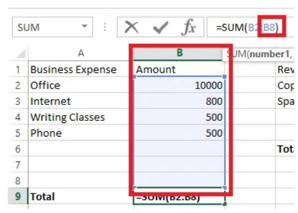
Once you've edited the formula or dragged the box, hit <Enter>:



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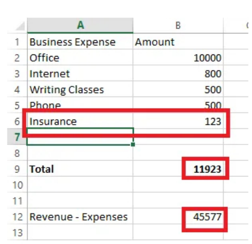
New expenses will automatically update your **Business Expense Total** and your **Revenue-Expenses Total:**



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Now you have a flexible little sheet to help you play with your expenses and revenues to figure out your break-even point. With a little bit of tweaking, you can use it for things like your monthly budget or planning out your savings goals.

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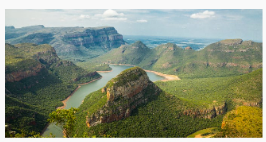

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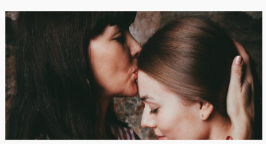

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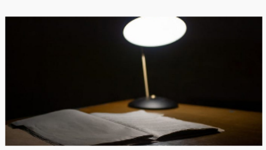

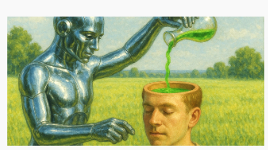

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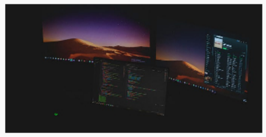

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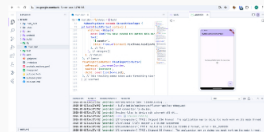

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