Module 2 Exercise: Cost analysis and break-even

I hope you found last module's personal budget exercise both practical and interesting. Understanding your own income and expenses is the foundation of good financial management. This week, we'll take the next step: using cost management tools to explore an idea that you may have.

At some point, many of us have imagined starting something of our own — whether it's a small business, a nonprofit, or a community activity. It might be a dream project you've always wanted to try, or simply a way to bring in extra income while doing something meaningful. Maybe you've pictured opening a coffee shop or bookstore, launching a nonprofit to help a group you care about, or creating community events that bring people together. Whatever the idea, now is your chance to put some serious thoughts on its costs and feasibility, and see what it might take to make it real.

For instance, imagine you want to start a small coffee shop. Your fixed costs might include rent, furniture, coffee machines, and licenses. Your variable costs would include coffee beans, milk, pastries, and hourly wages. The unit of production could be a cup of coffee or a bakery item (they have different margins!). By identifying these categories, you can begin to see how costs, pricing, and sales volumes interact — and how many units you would need to sell each month just to break even.

In this exercise, you'll choose a business, nonprofit, or community activity idea of your own and use the template below to analyze its possible fixed costs, variable costs, potential funding, and scale in terms of service or product units. This will help you test the feasibility of your idea using real cost management tools.

Remember: Choose something you genuinely want to do. This is your chance to explore an idea you care about and give it some serious thought.

Privacy Note: You don't need to share detailed or sensitive information about your idea. Keep your description general while still providing enough detail to complete the exercise.

What to Submit: Prepare a 1-page document that responds to the following questions:

1. What is your idea for a side business, nonprofit, or community activity (briefly)?
2. What are the fixed costs and variable costs in the first year? How much would you charge for each service or product unit? (Use the template as a reference but create your own. If needed, you may use AI tools to help identify typical costs—such as rent, equipment, or supplies—when you're unsure.)
3. What is your expected number of service/product units per month? Using breakeven analysis, how many units would you need to break even? Are you able to break even in the first year? (see template below)
4. Are there opportunities for additional funding (grants, donations, loans, partnerships)? If so, how would that change your cost or breakeven calculation? Use generative AI's help if needed.

5. Reflection: Based on your analysis and any feedback from AI, is your idea feasible? Why or why not? If feasible, can generative AI suggest what might be your next steps to bring this idea to life?

First-Year Cost Analysis Template

Part A: Cost Structure

Category	Description	Estimated Cost ($)	Notes
Fixed Costs (first year)	Rent		
	License		
	Insurance		
	Others (add rows)		
Variable Costs (per unit)	Materials per unit		
	hourly wages per unit		
	utilities per unit		
	Others (add rows)		

Part B: Pricing and Units

Item/Service Unit	Price per Unit ($)	Expected Monthly Units	Expected Annual Units
Example: Cup of Coffee	3.50	1000	12000
Item 1			
Item 2			
…(add rows)			

Part C: Breakeven Analysis

Breakeven Inputs	Value
Fixed Costs (from Part A)	
Variable Cost per Unit (from Part A)	
Price per Unit (from Part B)	
Contribution Margin per Unit (Price – Variable Cost)	
Breakeven Quantity in the first year (FC / Margin)	

AI-use disclosure: At the end of your document, note which tool you used and one suggestion it gave you that you decided *not* to follow, and why. Catching something the tool got wrong is a strong answer, not a weak one.