



SNS College of Technology

Coimbatore - 35



19BACT602 – Accounting For Managers

Unit I V– Decision Making Tools



Presented by

Mr. E. Mohanraj
Design Thinker

1st Indian
Instituti
to
on Implement **Design**
Thinking
Curriculum

Redesigning Common Mind and
Business Towards Excellence



Topic ??????????





Lets Focus on

Four Component of Cost-Volume-Price (CVP) Analysis





Importance of CVP Analysis

- CVP analysis **usually** described as a **short term** decision tool.
- Common application-> **Break Even Analysis**
- To identify the **levels of operating activity** needed to avoid losses, achieve targeted profits
- To plan future operations
 - If we put up our prices, Sales volume drops, prices of our inputs increases
- To guide Other decisions- >strategic decisions-> risks
 - Choosing additional features to existing product
 - If sales are 10% lower than estimated



Advantages Of CPV Analysis

- **Helpful For Making Sound Decisions**
- **Fixing Optimum Price**
- **Determination Of BEP**
- **Determination Of Margin Of Safety**
- **Helpful For Profit Planning**
- **Effective For Cost Control**
- **Assists Product Selection**
- **Useful For Budgeting**



LIMITATIONS OF CVP ANALYSIS

- **Requires accurate knowledge of revenue and cost amounts and behavior patterns**
 - Identification of fixed and variable components
- **Linear revenue and cost functions**
 - Integration of concept of "relevant range"
- **No change in inventories**
- **Constant sales mix**





Summary

COST VOLUME PROFIT

- Components
- Importance
- Advantages
- Disadvantages

SUMMARY





Reference

<https://www.investopedia.com/terms/c>





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