



# SNS College of Technology

## Coimbatore - 35



23BAT605 – FINANCIAL STATEMENT ANALYSIS  
Unit IV – MARGINAL COSTING

Topic: Guess?????



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**Redesigning Common Mind and Business Towards Excellence**



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Topic....







Cost-volume-profit (CVP) analysis focuses on the following factors:

1. The **prices** of products or services
2. The **volume** of products or services produced and sold
3. The per-unit variable **costs**
4. The total fixed **costs**
5. The **mix** of products or services produced





# Cost-Volume-Profit Analysis

CVP income statement is sometimes also called '*marginal costing statement*'

*CVP income statement:*

**Total sales**  
**Less Variable Cost**  
**= Contribution**  
**Less Fixed Costs**  
**= Profit**

**Selling Price = Total Cost + Profit**





# Cost-Volume-Profit Analysis

Assumptions:

- ▶ All costs can be accurately **classified** either into fixed costs or variable costs
- ▶ All cost and revenue behaviour is **linear**
- ▶ All costs are affected by changes in **activity** only
- ▶ All units produced are sold, i.e. there is **no unsold stock**
- ▶ In cases when more than one type of product is sold, the **sales mix will remain constant**.





# CVP ADVANTAGES

Establishing Prices

Analyse the impact of profit

Impact of cost on profits







# LIMITATIONS OF CVP

Accurate Knowledge  
Requires

Linear Revenue and  
Cost

No change in  
Inventories





# Time for the assessment...



If the contribution margin percentage is 30%, the selling price is \$5000, then the contribution margin per unit will

- \$900
- \$1,200
- \$1,500
- \$1,600





# Summary

## Cost-Volume-Profit Analysis





# References...



- <https://corporatefinanceintitute.com/resources.knowledge/finance/cvp-analysis-guide/>
- <https://xplained.com/612533/cvp-analysis>



Thank  
you





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