

SNS College of Technology Coimbatore - 35



23BAT605 – FINANCIAL STATEMENT ANALYSIS **Unit IV** – MARGINAL COSTING

Topic: Guess?????



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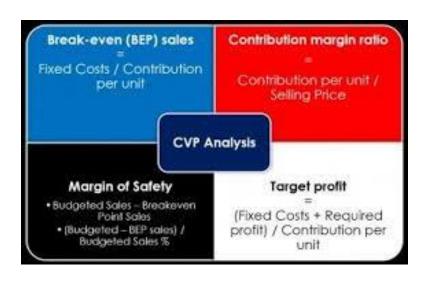












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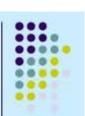




Cost-volume-profit (CVP) analysis focuses on the following factors:

- 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



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://xplaind.com/612533/cvp-analysis











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