Management Accounting

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Practical Class #11

Agenda

01
THEORETICAL RECAP
Cost-Volume-Profit Analysis

02
EXERCISE 29– contd'
The Alfalinha Company

03
EXERCISE 27
The Boa Pinga Company

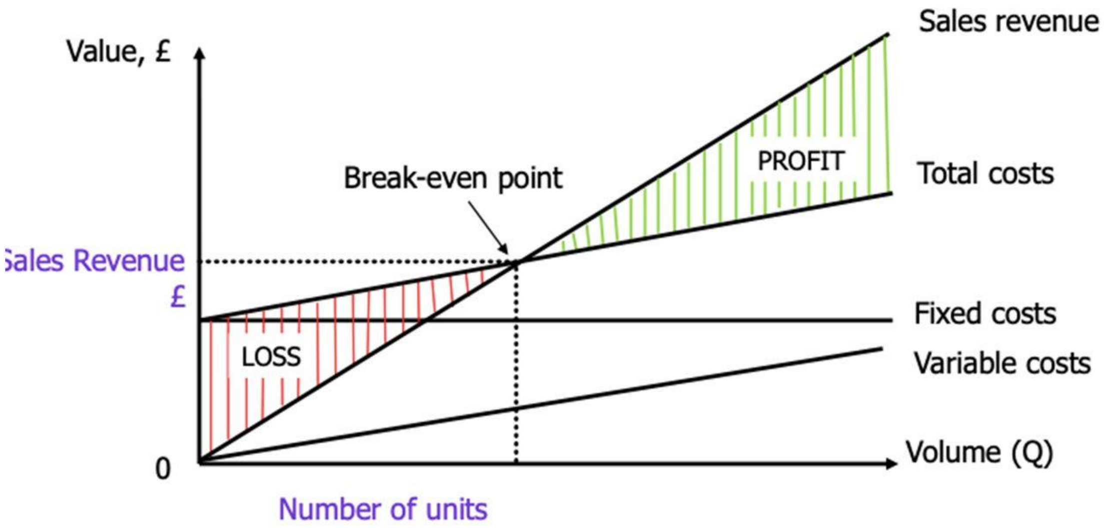
01

Theorethical Recap

Cost-Volume-Profit Analysis

Cost–Volume–Profit Analysis

- **Break Even Point:** $\mathrm{BEP_{un}} = \frac{\text{Fixed Costs}}{\mathrm{SP_{un}} - \mathrm{VC_{un}}}$ and $\mathrm{BEP}_{<} = \mathrm{BEP_{un}} * \mathrm{SP_{un}}$
  - Unit Contribution Margin $= \mathrm{SP_{un}} - \mathrm{VC_{un}}$
- Level of sales (in € or units) that makes Total Costs = Total Revenues and profit = 0



Security Margin 1: $\mathrm{SM_1} = \frac{\text{Sales} - \text{BEP}}{\text{BEP}}$.
By how much sales are above the BEP

Security Margin 2: $\mathrm{SM_2} = \frac{\text{Sales} - \text{BEP}}{\text{Sales}}$.
How much sales may decrease before the firm starts incurring in a loss

Note: SMs can be calculated with either BEP/Sales in units or € (again, only need to be careful with consistency)

02

Exercise 29– contd’

The Alfalinha Company

03

Exercise 27

The Boa Pinga Company