NOVA · NOVA SCHOOL OF BUSINESS & ECONOMICS

Management Accounting

Fall 2024
Practical class 13

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AGENDA

THEORETICAL RECAP

CVP analysis
Cost Classification

CHAPTER 9

Problem 35 and 43

Theoretical Class Recap (or not)

Cost Volume – Profit Analysis

Multiple Products

- In our analysis so far we have assumed a single-product. However, most firms produce and sell many products or services.
  We can have 2 situations:
  - The company has direct fixed costs to each product and no common fixed costs => calculate two BEP as we did before
  - The company has common fixed costs => calculate a weighted contribution margin based on sales volume

$$BEP = \frac{Fixed\ Costs}{Unit\ CM\ x * x\%n + Unit\ CM\ y * (1-x)\%}$$

X% = Sales Mix of Product X (in quantities)

Theoretical Class Recap (or not)

Cost Volume – Profit Analysis

Useful formulas

$\pi = (\text{Expected Sales}_{\text{units}} - \text{BEP}_{\text{units}}) * \text{CM}_{\text{units}}$

$\pi = (\text{Expected Sales}_{\text{€}} - \text{BEP}_{\text{€}}) * \text{CM}_{\%}$

$\text{CM}_{\%} = \dfrac{\textit{Comtribution Margin}}{\textit{Sales Revenues}}$

Example

	Barbie	Wealthy Barbie	
Units Sold	72 000	31 000	
Sales Mix	69,9%	30,1%	Weighted Avg.
Price	16,8 €	42,0 €	24,4
MVC Unit	7,5 €	20,0 €	11,3
NMVC Unit	0,8 €	1,1 €	0,9
CM	8,5 €	20,9 €	12,2

Theoretical Class Recap (or not)

Costs Classification

RELEVANT COSTS

- **Opportunity Cost**: Benefit of the best alternative that was scarified
- **Avoidable Cost**: Costs that can be saved by not adopting an alternative
- **Future Outlay Cost**: Costs that vary with the decision

IRRELEVANT COSTS

- **Sunk Costs**: Past Costs that cannot be changed by any current or future action
- **Unavoidable Costs**: Costs that cannot be saved by pursing an alternative
- **Committed Costs**: Costs that are agreed in the future and cannot be changed