A PRESENTATION ON “COST ACCOUNTING”

TOPIC : MARGINAL COSTING

(WITH PRACTICAL PROBLEM)

Calculation of P/V Ratio, BEP, Profit

- From the following information calculate :
- 1. P/V Ratio
- 2. Fixed Cost
- 3. Break Even Sales
- 4. Profit at sales of Rs. 24.00.000

PARTICULARS	31-03-2017 (RS)	31-03-2018 (RS)
Sales	18,00,000	21,00,000
Profit	1,20,000	1,80,000

Solution :-

1. Calculation of P/V Ratio :

- P/V Ratio $= \dfrac{\text{Change in Profit}}{\text{Change in sales}} \times 100$

$$= \frac{1{,}80{,}000 - 1{,}20{,}000}{21{,}00{,}000 - 18{,}00{,}000} \times 100$$

$$= \frac{60{,}000}{3{,}00{,}000} \times 100 = 20\%$$

P/V Ratio = 20%

2. Calculation of Fixed Cost :

(Here we have got PV Ratio. So, Which formulae useful to get F.C. By PVR ?)

- P/V Ratio = $\dfrac{\text{Contribution}}{\text{Sales}}$ x 100
- 20% = $\dfrac{\text{Contribution}}{18{,}00{,}000}$
- (***by using % for both sides Value of 100 decline***)
- 18,00,000 x 20% = C
- 3,60,000 = C
- Now we are finding Value of ***FC*** by using formulae of ***contribution***
- So,
- C = Fixed cost + Profit
- 3,60,000 = Fixed Cost + 1,20,000 (Given)
- Hence, Fixed cost = 3,60,000 - 1,20,000 = **2,40,000**
- **Fixed cost = 2,40,000**
- ***(Note : Fixed cost remain Fixed for both year So, we don't want to calculate twice)***

3. Calculation of BEP Sales :

$$\text{BEP Sales} = \frac{\text{Fixed Cost}}{\text{PVR}}$$

$$= \frac{2{,}40{,}000}{20\%}$$

$$= 12{,}00{,}000$$

BEP Sales = 12,00,000

4. Calculation of Profit at sales Rs. 24,00,000

(How much Profit we can acquire by turnover of Rs. 24,00,000)

- By using Sales Formulae

$$\text{Sales} = \frac{\text{Contribution}}{\text{P/V Ratio}}$$

$$\text{Sales} = \frac{\text{Fixed Cost + Profit}}{\text{P/V Ratio}}$$

$$24{,}00{,}000 = \frac{2{,}40{,}000 + \text{Profit}}{20\%}$$

$$24{,}00{,}000 \times 20\% = 2{,}40{,}000 - \text{Profit}$$

$$4{,}80{,}000 = 2{,}40{,}000 - \text{Profit}$$

- Hence, $\text{Profit} = 4{,}80{,}000 - 2{,}40{,}000 = 2{,}40{,}000$

Profit = 2,40,000