

**MINISTRY OF EDUCATION OF THE
REPUBLIC OF AZERBAIJAN**

**CVP ANALYSIS AS A MANAGEMENT TOOL
FOR PRODUCTION COMPANIES**

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Abstract

A decent comprehension of expense and income conduct is basic to giving chiefs with a comprehension of the connection between a task's incomes, expenses, and benefits. CVP investigation underscores the interrelationships of costs, amount sold, and cost as well as unites the majority of the money related data of the firm.

Information about theoretical base of CVP analysis is gave in first part of work. After doing research on the case, the results with the situation in Azerbaijan is compared and instead of applying for a survey, the experts are preferred. Furthermore, also expert opinions are used in diploma work. In these reviews, all issues related to the application and use of CVP in our country were touched upon.

It is inferred that since the model just fill in as a helpful guide in momentary basic leadership and its application is liable to various prohibitive assumptions, chiefs ought to consider performing affectability investigation to decide if and additionally how the limitations influence choice, take discernment of the presence of numerous or a few cost drivers and fuse this into condition definition of the model, as it is believed that with this procedure progressively practical outcomes can be acquired.

Keywords: Decision making, minor costing, commitment margin, commitment diagram, initial investment outline, profit amount chart

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Introduction

One of the obligations of the bookkeeper is to supply administrators with pertinent information that will help them in arranging and controlling exercises.

This data is generally organized and goes about as an input to basic leadership which will depend additionally on other data shapes. In the perspectives on Garrison and Noreen (2003) a portion of these choices may include: which items to fabricate or sell (acceptance or dismissal of a choice); what evaluating arrangement to pursue (valuing); what marketing strategy to utilize; what kind of beneficial office to obtain (capital planning choices) and so on.

Cost-volume-benefit examination is a useful asset which enables chiefs to manage these types of choices. The root of the idea Cost Amount Profit model can be followed to Hess, 1903; Mann, 1903; 1907 whose works were established on the assumptions of a solitary item, nonappearance of vulnerability and the isolation of expenses into stable and variable elements, and Williams, 1922 who proposed another qualification between the different cost elements organizations are defined with by presenting another classification of cost (semi - variable costs) which incorporate costs that are not straightforwardly identified with variable or stable expenses, while Jaedicke and Robichek, 1964 proposed consolidating the issues of vulnerability into the model (Stefan, Stefan, Savu, Sumandea & Comes, 2008). Organizers and leaders like to know the risk related with the choices that they make. For instance, a motion picture maker may wonder how numerous showings of another film will be required so the maker can recuperate his/her total interest in the motion picture and acquire a required target benefit.

Cost-volume-benefit investigation as indicated is the deliberate examination of the between connection between selling costs, deals and creation volume, cost, costs and benefits. The above definition discloses cost-amount profit examination to be a normally utilized instrument giving administration helpful data for basic leadership. Cost volume-benefit investigation will likewise be utilized on settling on crucial and sensible choice when a firm is looked with administrative issues which have cost amount and benefit suggestions. Such issues are in the regions of benefit arranging, item arranging, settle on or purchase

choice, development or compression product offering, use of gainful limit in a time of monetary blast or melancholy. Numerous leaders utilize the likelihood of in any event equaling the initial investment or acquiring a target benefit as a proportion of a task's hazard. Vulnerability is the likelihood that a genuine amount will veer off from a normal sum. A decent comprehension of expense and income conduct is critical in furnishing chiefs with a comprehension of the connection between a project's incomes, expenses, and benefits.

I have also used expert opinions in my diploma work. In these reviews, all issues related to the application and use of CVP in our country were touched upon. Moreover, I research a colossal case about CVP which consist of all factors of CVP analysis. After doing research on the case, I compared the results with the situation in Azerbaijan, and instead of applying for a survey, I turned to the experts. All the more particularly cost-volume-benefit investigation is utilized by directors to plan and control all the more adequately and furthermore to focus on the relationship among incomes, cost, amount changes, charges and benefit. It is otherwise called earn back the original investment investigation. At last this investigation is gone for inspecting the impact of cost volume-benefit examination on basic leadership procedure of some chosen assembling enterprises in Maldives Island and Azerbaijan.

CVP investigation can be a vital apparatus for recognizing the degree and size of the economic trouble an organization is confronting and helping pinpoint the essential arrangement. The principle target of this paper is to recognize measures that can help leaders in dealing with the limitations of the CVP model. Consequently, I touched assumptions and limitations in second chapter and used opinions of experts in third chapter of my diploma work.

Chapter 1: Theoretical basis of Cost-Volume-Profit analysis in production entities

The Conception and Uses of the expense-quantity-Profit analyses and the

model of Cost-Volume-Profit

Cost-volume-profit investigation is something organizations use to make sense of how changes in expenses and amount influence their working costs and net gain. CVP works by looking at changed connections, for example, the expense of working and creating products, the measure of merchandise sold, and benefits produced from the clearance of those merchandise. By separating costs into stable versus variable, CVP examination gives organizations solid understanding into the gainfulness of their items or administrations. Cost amount benefit, clarified beneath, is one of the numerous approaches to quantify changes in the money related strength of an organization as it identifies with deals. A CVP display is a straightforward monetary model that accept deals amount is the essential cost driver. So as to make a CVP demonstrate, you need certain information for the financial period being referred to. You need a gauge or figure for stable costs, unit-level variable expenses, and item/unit deals costs.

Numerous organizations and bookkeeping experts use cost-volume-benefit examination to settle on educated choices about the items or administrations they sell. In such manner, CVP examination assumes a bigger job in managerial bookkeeping than in financing bookkeeping. Managerial bookkeeping centers around helping supervisors - or those entrusted with running organizations - make keen, practical moves. Financial bookkeeping, on the other hand, concentrates more on painting a monetary image of an organization so that outside gatherings, for example, banks or speculators, can decide how monetarily sound it is.

The three components engaged with CVP examination are:

- ❖ Cost, which implies the costs engaged with creating or selling an item or administration.
- ❖ Volume, which implies the quantity of units created on account of a physical item, or the measure of administration sold.
- ❖ Benefit, which implies the contrast between the selling cost of an item or administration less the expense to create or give it.

Cost– volume– profit analysis investigate the correlation among alterations in quantity (amount produced) and replaces in earnings. Cost amount benefit investigation is a methodical technique for inspecting the connection stuck between changes in capacity (yield) and changes in all out deals income, everyday expenditure along with profit and their correlation based on the salary articulation principle which take a gander at profit like the contrast between all out income with all out expense (Dopuch and Maher, 2005; Okoye, 2011).

Cost-volume-profit (CVP) examination is a strategy for cost bookkeeping that takes a gander at the effect that changing dimensions of expenses and amount have on working benefit. The expense-quantity-benefit examination, additionally regularly known as make back the initial investment investigation, hopes to decide the make back the initial investment point for various deals amounts and cost structures, which can be valuable for supervisors settling on momentary monetary choices.

The expense-quantity-benefit examination makes a few presumptions, counting that the selling price, stable expenses, and variable expense per unit are steady. Running this investigation includes utilizing a few conditions for value, cost and different factors, at that point scheming them out on an economic diagram.

Likewise, CVP assumes a key position in vital arranging by helping the management chooses the target of the association and the standard procedures of accomplishing these objectives. Coming up next are a portion of the crucial inquiries replied by CVP investigation:

- (a)** What is the predictable dimension of benefit at a given deals volume?
- (b)** What extra measure of offers is needed to accomplish an ideal dimension of benefit
- (c)** What will be the impact on benefit of a given increase in deals?
- (d)** What is the required subsidizing level for a firm, certain required administration/production levels?

(e) What sales level is expected to take care of all expenses in a business district or product offering? (Blocheret al., 2002).

CVP investigation assists in accepting the connection among profit plus expenses from one perspective and amount on the further. CVP investigation helpful for setting up adaptable spending plans which show costs at different dimensions of action. CVP analysis additionally supportive when a business is endeavoring to decide the dimension of offers to achieve a focused on salary. No production can choose with precision its normal dimension of offers volume. Such choices are generally founded on past evaluations and statistical surveying in regards to the interest for items which are proposed by the business. The goal of CVP investigation is to recognize the most practical mechanized techniques, including robotization, re-appropriating and full quality administration. Additionally CVP investigation is needed by a firm after the separation technique, and it is required at the before time stages of the expenditure life cycle to evaluate the productivity of new items and the attractive quality of new attributes for existing items. By the by, CVP gives a valuable foundations to investigating definite business choice circumstances since it powers chiefs to appreciate how expenses and incomes differ with changes in yield (Zimmerman, 2003). As per Hilton etal (2003), CVP investigation is the most fundamental capital related model which looks at a product's prosperity at various deals volume. CVP gauges the adjustment in benefit with a transform in items sold. It makes assured suspicions about incomes and item expenses to improve the analysis.

Moreover, CVP examination encourages supervisors to comprehend the interrelationship among cost, amount and benefit in an association by concentrating on collaborations between prices of goods ,amount or dimension of movement, variable expense per unit, all out stable expenses and blend of items sold(McWatters et al. 2001). CVP investigations normally expect that the entity (office, division, or the significant choice unit) subscribes to holding different types of limit with respect to at any rate any more operating stage. Investigators

characterize limit the same as plants, structures, hardware and administrative and other talented work (both assembling and non-manufacturing). Experts may likewise categorize inventories that will be extended starting by way of one phase then into the next as limit. (Dopuch and Maher,2005).

The promise to embrace limits results in the incurrence of constant limit costs—that is, the company will acquire fees whether it uses the limits or enables them to stay inactive. The charges brought about might be current cash expenses or assignments of earlier period expenses. The cash expends incorporate compensations for administrative and other talented faculty, taxes, and protection on properties possessed (plant, structures, gear, and inventories), rentals or rent installments on stable agreements, and premium and foremost installments on existing obligation, expecting that the last will be continued remarkable to fund resource acquisitions of the choice unit. Stable outlays that are allowances of earlier period expenses incorporate devaluation on stable substantial resources, distributions of patent overheads, furthermore, of other indescribable resources (promoting, look into, and so forth.). Regularly, stable costs symbolized with hard cash expenses are very noteworthy in correlation with the noncash stable expenses, an imperative factor in CVP examinations underneath vulnerability (Hilton, Maher and Selto, 2006; Hongren,Datar and Foster, 2003; Maher, Stickney and Weil, 2006).

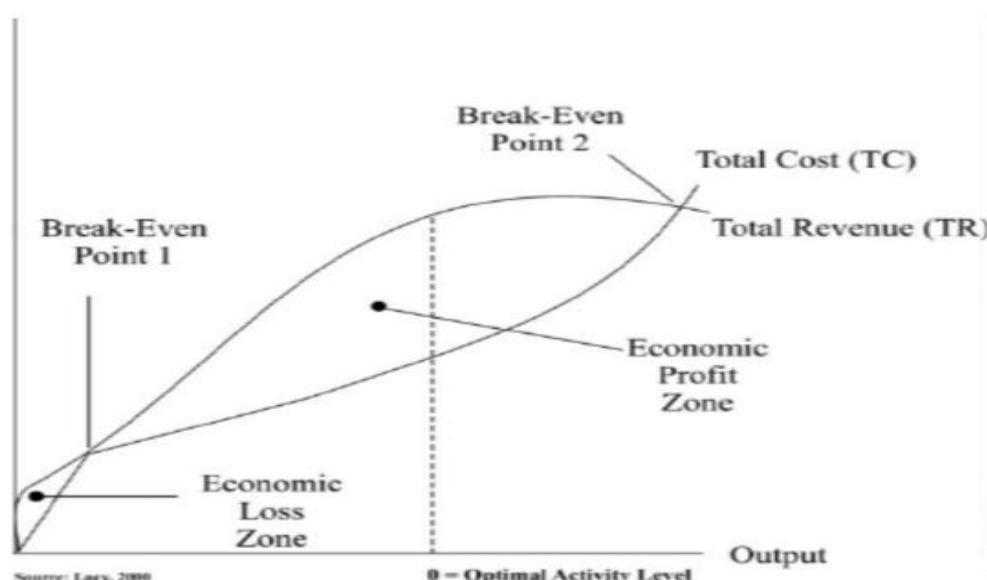
Bookkeepers and Economists forms of the CVP analysis

(a) The Economist's Model

Consistent with Okoye et al (2006), the bookkeeping view repudiates the market analyst's view, which embraces that: in light of the wonder of lessening peripheral efficiency, complete cost line will currently be a straight line it will be of rounded form showing that the entity is just ready to sell rising amounts of yield by decreasing the selling consequences per unit. Therefore the all out profits

line does not increment proportionately with yield. Whichever foreseen increment in the amount sold will require a decrease in the item selling value which causes the all out income line to climb precipitously and in the end start to fall. This is on the grounds that the unfriendly impact of cost diminutions compensates the advantages of expanded deals amount(Drury, 2008). Besides, the behavioural guide of cost-line is affected by such factor as:

1. Stable expense isn't stable all through, and
2. Variable expense isn't the equivalent all through. It will decay at first as long as there are growing physical items ...per thing of information if consistent. It will inevitably boost later than the purpose of diminishing normal return has been come to.



Source:Lucy,2000

(b) *The Bookkeepers's Model*

In the bookkeeper's model underneath the black out line above and beneath the bookkeeper's all out cost line at the benefit and misfortune locale individually speaks to the financial expert's all out cost work which permits contrast with the bookkeeper's all out cost work. The outline of the accountant's form expect a consistent variable expense and a selling cost for each unit; in this way bringing about a linear connection for all out income and total expense as amount alters.

The result is a particular initial investment point (not at all like what gets in the economist's model) and the benefit territory which expands as amount increments inferring that the most productive yield is at the greatest practical capability. Be that as it may, it is enlightening to make reference to that the economist's form seems more reasonable as it accept that the complete cost is non direct (Drury, 2008, p.167)

Contribution Margin Approach

Cost– volume– profit investigation utilizes the ideas of variable and stable expenses to recognize the earnings related with different dimensions of action (Atkinson et al., 2006). Assume Gilan Ltd puts up for sale its rock cork material sheet for M700 each. The income condition for the Company will be:

$$\textbf{Revenue} = \textbf{M700} \times \textbf{Number of rock cork material piece sold}$$

To start with, investigate the commitment margin salary explanation. The commitment margin is the contrast between an organization's deals and its variable expenses. Ascertaining the commitment margin pay articulation demonstrates the partition of stable and variable expenses. Basically expressed, it can fit into this basic condition:

$$\textbf{Operating(Working) Income} = \textbf{Sales} - \textbf{Total Variable Costs} - \textbf{Total Stable Costs}$$

So as to better your understanding, this essential condition can be extended:

$$\textbf{Operating (Working) Income} = (\textbf{Price} \times \textbf{\#Units Sold}) - (\textbf{Variable Cost Per Item} \times \textbf{Number of Items Sold}) - \textbf{Total Stable Costs}$$

Net(Gross) Margin versus Commitment Margin

It is critical for a monetary supervisor to comprehend that the gross net revenue and the commitment margin are not the equivalent. The gross net revenue is the distinction among deals and cost of merchandise sold. Cost of merchandise sold incorporates all expenses — stable expenses and variable expenses. The commitment margin just thinks about variable costs. Figuring both can give the

money related chief important, however unique, data.

Commitment Margin Ratio

Deciding your commitment margin proportion is as straightforward as figuring out what rate your commitment margin is of your absolute sales. In this recipe, you utilize the absolute commitment margin, not the unit commitment margin. Figuring this proportion is crucial for the money related chief as it tends to the benefit capability of the firm. For instance, if your commitment margin is \$50,000 and you have \$100,000 in deals, your commitment margin ratio is 50 percent. This implies for each dollar increment in deals, there will be a 50 penny increment in the commitment margin to take care of stable expenses.

The distinction between complete income (Sales) and absolute variable cost (Marginal expense) is called the 'commitment' or commitment margin. The commitment margin per unit is the payment that every element makes to taking care of stable expenses and giving a benefit. The commitment margin ratio is the portion of every naira deals that is accessible to wrap stable costs and produce a profit. Two much of the time utilized ways to deal with finding the break-even point in items are the working profits come up to and the commitment margin approach.

Operating (Working) Income Approach

The working salary approach centers around the income statement as a valuable device in systematizing the company's expenses into stable and variable classifications. The income proclamation can be communicated as a account condition:

$$\textbf{Operating income} = \textbf{Sales revenue} - \textbf{Variable costs} - \textbf{Stable costs}$$

Note down that we are utilizing the term operating income to signify salary or benefit before earnings taxes. Working salary incorporates just incomes and costs from the company's typical operations. We will utilize the term net income to represent operating income less income taxes.

An alteration of the working salary approach is the commitment margin approach. As a result, we are essentially perceiving that at break-even, the all out commitment edge measures up to the stable expenses. The commitment margin is deals income less total variable expenses. In the event that we alternate the unit commitment edge for value less unit variable expense in the working pay equation and understand for the quantity of units, we acquire the accompanying make back the initial investment articulation:

$$\text{Number of components} = \text{Stable costs} / \text{Unit contribution margin}$$

Computing the Breakeven point in Items

In researching CVP, a historic limit is to figure the initial investment point in things for the substance. You can discover the initial investment point in dollars by expanding the business cost for your thing by the initial investment point in things. Initial investment point in things is the amount of units the firm needs to make and offer in order to make an advantage of zero. By the day's end, it is the amount of units where full scale salary is equal to signify costs. In the occasion that working pay squares with zero, by then the initial investment point in things has been come to. If the working pay is certain, the business firm makes an advantage. In case the working pay is negative, the firm expect a hardship. In case you are discerning, you can see that the elements in this condition resemble the components you have authoritatively used in the expense-quantity-advantage condition.

One of the focal purposes of CVP examination is initial investment examination. Specifically, CVP examination empowers executives of firms to dismember what it will take in arrangements for their firm to make back the underlying speculation. There are various issues included; unequivocally, what number of units do they have to pitch to procure back the first venture, the impact

of a change in stable costs on the initial investment point, and the impact of an extension in expense on firm advantage. CVP examination shows how livelihoods, expenses, and advantages change as arrangements amount changes. In order to ascertain your association's initial investment point, use the going with condition:

$$\textbf{\textit{Stable Costs / (Price - Variable Costs) = Breakeven point in Items}}$$

In that capacity, the initial investment point is equal to the full scale stable costs separated by the qualification among the thing cost and variable costs. Note that in this formula, stable costs are communicated as a sum of all in the mists for the element, however Price and Variable Costs are communicated by unit costs—the expense for each thing unit sold. The denominator of the condition, inestimable variable costs, is known as the responsibility edge. Behind unit changeable costs are deducted from the esteem, whatever is absent—the responsibility edge—is open to pay the association's stable costs.

An Instance of Finding the Initial investment point

Araz Entity has verified that it has stable costs that contain its rent, decay of its advantages, official remunerations, and property charges. Those stable costs add to \$50,000. Their thing is the contraption. Their variable costs related with conveying the device are crude material, handling plant work, and arrangements payments. Variable costs have been resolved to be \$0.50 per unit. The contraption is assessed at \$5.00 each. Given this information, we can process the initial investment point for Araz Entity's thing, the device, using our formula over:

$$\textbf{\$50,000 / (\$5.00 - \$0.50) = 11,111 units}$$

What this answer suggests is that Araz Entity needs to make and pitch 11,111 devices in order to take care of their total costs, stable and variable. At this

component of offers, they will make no profit anyway will just earn back the original investment.

The final product for the Initial investment point If Deals Change

Envision a situation where your business change. For example, if the financial system is in a subsidence, your arrangements may drop. If business drop, by then you may risk not pitching enough to meet your initial investment point. On account of Araz Entity, you presumably won't pitch the 11,111 units essential to rise to the make back the initial investment.

Everything thought of you as, would not have the ability to pay all of your expenses. What might you have the capacity to do in this condition? If you look at the initial investment plan, you can observe that there are two aims for this issue: you can either raise the expense of your thing or you can find ways to deal with cut your costs, both stable in addition to variable.

How Cutting Expenses Affects the Initial investment point

Assume you make sense of how to cut the price of your above your head or stable costs by decreasing your own remuneration by \$5,000. That makes your stable costs drop from \$50,000 to \$45,000. Using a comparable condition and holding each other variable the proportionate, the initial investment point would be:

$$\textbf{\$45,000 / (\$5.00-\$0.50) = 10,000 units}$$

Ordinarily, cutting your stable costs drops your initial investment point. In case you decrease your changeable costs by cutting your costs of items sell to \$0.40 per unit, alternatively, by then your initial investment point, holding various components the proportionate, advances toward getting to be:

$$\text{\$50,000} / (\text{\$5.00}-\text{\$0.40}) = \text{10,870 units}$$

From this examination, you can observe that in case you can decrease the charge variables, you can hack down your initial investment point without raising your expense.

Term of Target Profit in CVP examination

Target benefit is the ordinary proportion of advantage that the head of a business plan to achieve before the completion of an appointed accounting period. The target advantage is consistently gotten from the arranging methodology, and is differentiated and the real outcome in the compensation clarification. This results in an uncovered variance between the certifiable and target advantage figures, for which the accounting staff may give a point by point elucidation. Regardless, spending plans are broadly wrong, and become progressively incorrect the further into a putting in year that you go. Along these lines, a discretionary induction of the target advantage that will when all is said in done be progressively definite begins from a moving guess, where the target information is invigorated ordinarily, in perspective on an association's transient wants for the accompanying couple of months. This will as a rule result in respectably little differentiations between the goal and veritable advantage. One more alternative is condition based. This approach, known as cost-volume-advantage examination (or CVP examination) following this calculation:

Copy the ordinary number of units to be sold by their typical responsibility edge to get in contact at the hard and fast duty edge for the period.

- ❖ Subtract the total aggregate of foreseen stable cost for the period.
- ❖ The result is the goal advantage.

A great deal of showing should be conceivable using this clear figuring. For example, it might be changed for the going with components:

- ❖ Modify the responsibility edge per unit and units sold subject to an ordinary arrangements headway.
- ❖ Modify the stable cost full scale and the dedication edge per unit for the effects of redistributing age.
- ❖ Adjust the dedication edge for the effects of changing to a without a minute to save age structure.

Eventually the administrators needs to pick up a particular proportion of advantage in the midst of a particular time allotment. This particular proportion of advantage is commonly known as target benefit.

Target advantage examination is connected to finding the assessed business activities to perform to secure a target advantage in the midst of a particular time period. Among these activities, the officials is especially interested to find the business amount required to deliver a goal advantage. In equivalent the underlying venture point examination article, we used condition procedure and duty edge system to figure make back the underlying speculation motivation behind an association. Comparative conditions, with a little change, can be used to determine the arrangements both in units and in dollars to win a target advantage in the midst of a particular time allotment. The target advantage thought is inconceivably profitable for money orchestrating (when adjusted to evaluated salary), similarly with respect to masterminding results-based prizes, and for revealing foreseen that results should monetary pros and advance authorities. If there is unendingly a considerable unfavorable distinction between the target and genuine advantage, it may be critical to take a gander at the system used to decide the goal advantage, and induce an undeniably moderate arranging strategy. The most exceedingly awful situation is when absurdly optimistic target benefits are

determinedly released to the theory arrange, which over the long haul loses trust in the limit of the board to meet its very own projections. An advantage target is a destined time when a budgetary pro will leave a trade a beneficial position.

Advantage targets are a bit of many trading techniques that money related pros and specific dealers use to manage risk. Advantage targets can be settled at various reasons for a hypothesis. Money related authorities can begin prohibitive solicitations to achieve their advantage target. Some trading systems fuse an advantage center with a hidden solicitation. In various cases a budgetary expert may use a prohibitive solicitation to set an advantage center in the wake of perceiving beyond any doubt forward looking projections.

Advantage targets can be a not too bad strategy to manage the risk of high peril adventures. Every now and again, high risk hypotheses require ordinary due resourcefulness. Along these lines, recognizing and following an advantage target system can help an examiner with taking advantage of advantages and ease any potential for hardships. The administrators needs to achieve a specific proportion of advantage close to the completion of a business period. Cost amount benefit conditions and conditions can be used to choose the business amount expected to achieve a goal advantage. To fathom the figuring of target advantage consider the going with point of reference:

Araz Company fabricates and sells a phone replying mail. The Company's commitment edge pay proclamation for the latest year is given underneath:

Total	Per Unit	Percent of Sales	
Sales (25,000 units)	\$1,250,000	\$50	100%
Less variable expenses	1,000,000	\$40	80%
Commitment margin	250,000	\$10	20%
Less stable expenses	200,000		

Net operating income \$50,000

The board is fretful to improve the association's advantage execution. Expect that one year from now the board needs the association to win a base benefit of \$80,000. What number of units ought to be sold to meet the objective advantage figure?

Solution:

Equation Form:

$$\text{Sales} = \text{Variable expenses} + \text{Stable expenses} + \text{Profits}$$

$$\$50Q = \$40Q + \$200,000 + \$80,000$$

$$\$10Q = \$280,000$$

$$Q = \$280,000 / \$10 \text{ Per unit}$$

$$Q = 28,000 \text{ Units}$$

Commitment Margin Form:

$$(\text{Stable expenses} + \text{Target profit}) / \text{Commitment margin per unit}$$

$$(\$200,000 + \$80,000) / \$10 \text{ Per unit}$$

$$28,000 \text{ Units}$$

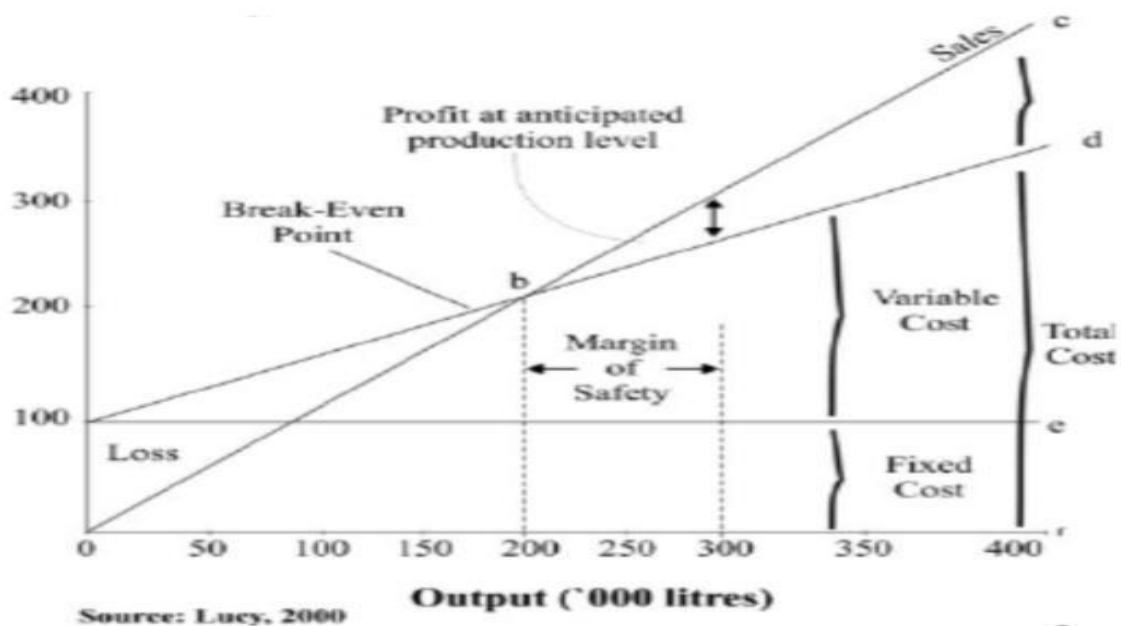
The break-even graph, commitment illustration and profit level chart

A graphical arrangement of displaying information on the expense-quantity-Product examination gives an all the more clear comprehension of the CVP lead. The various structures are the equivalent the underlying venture plot, the dedication graph and the benefit amount outline. The acquire back the first venture

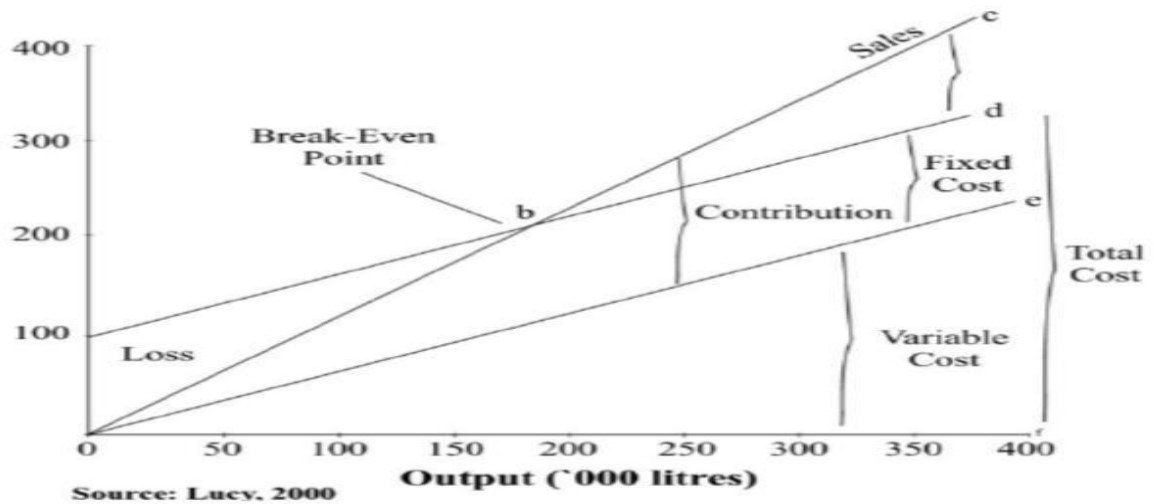
and responsibility diagrams don't include the advantage or thrashing at unique amount stages. To choose the advantage or annihilation figure from a procure back the first venture diagram requires as certain the refinement among full scale cost and hard and fast pay lines. The advantage amount outline is a logically accommodating system for exhibiting the impact of changes in amount on benefit (Drury, 2008,p.175).

(a) Break-even graph

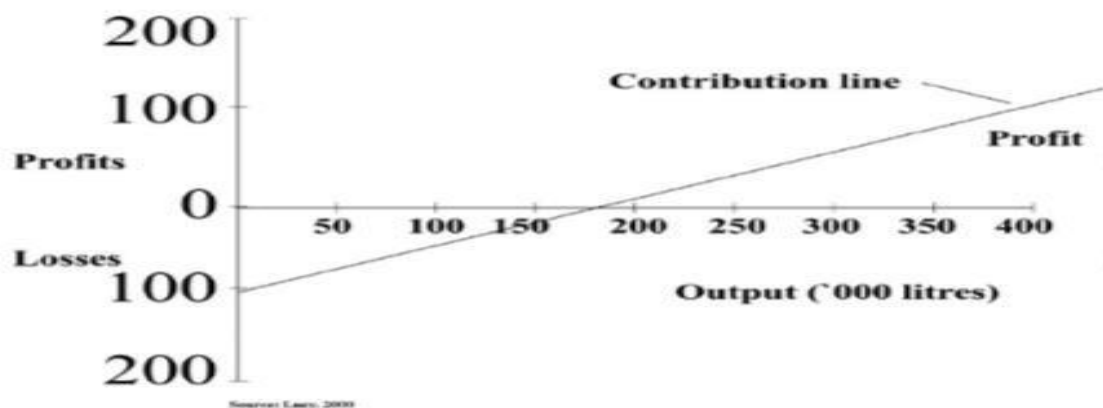
The equal the initial investment point can be dictated by outline a chart seeming stable costs, variable costs, total costs and hard and fast pay change with the element of yield. At this chart is the means by which to practices the make back the initial investment point - using the case of a substance industrialized compacted plates.



(b) Contribution diagram



(c) Profit-volume diagram



Source: Lucy, 2000

Choice Conditions Requiring the Use of CVP

The three conditions delineated in this section rely upon the basic supposition of cost-volume-advantage examinations—that is, a decision unit intends to get a handle on a great deal of points of confinement in the midst of the resulting working time span that will outcome in the incurrence of stable costs, paying little respect to whether the thing uses the cutoff points in some productive effort. Generally, if the firm uses the breaking points, salaries increase at a speedier rate than costs. Therefore, the firm will decide for utilization, for example, by

including a thing. Trade on the three conditions acknowledged that only a singular other choice existed for the breaking points

(a) Put in or Slump a Manufactured Goods

A decision thing will incorporate (drop) a thing if the progressive earnings from the thing are increasingly unmistakable (less) than the relentless costs of making and scattering the thing. When in doubt, the unfaltering expenses contain the steady cash cost costs notwithstanding the open entryway costs of using the capacities to make the thing. The element will have positive open entryway costs in case it has the decision of diverting the cutoff points from the present thing and use them to make another thing. The subject of whether to incorporate a thing all around develops in work shop errands, where a decision to offer on another solicitation involves a decision to incorporate another thing (the solicitation). The limit expected to tackle the new solicitation is open to the decision unit, and the firm ought to pick whether to submit the capacity to the new solicitation, to various things (various demands), or let it remain latent (Hilton, Maher and Selto, 2006).

Surrender methodology is gotten when a thing is unbeneficial either in light of the way that salaries never again outperform costs or in light of the fact that another affiliation offers to buy the rights to the thing at a perfect expense. The decision of whether to incorporate another thing in a consistent taking care of sort of movement is less ordinary, in light of the way that the element may need to pick up the limit expected to make the new thing through additional theories.

(b) Create or Purchase an Item.

An element may have limits open that it can use to manufacture a subunit rather than to purchase the subunit from an outside provider. Firms can settle on this decision each working period, choosing to make the unit in specific periods and get it in others. The firm will create the unit if the consistent costs of purchasing outperform the steady costs of amassing. The slow costs of collecting

are the relentless cost costs notwithstanding the open entryway costs of giving the capacities to the subunit. The last will be zero if the points of confinement would by one way or another or another stand dormant. These costs will make certain if the firm could use the limits devoted to the subunit to create another valuable thing, for instance, a standard thing or another sort of subunit.

(c) Put available to be purchased now or technique additional.

All things considered, a decision unit will process a thing further rather than offer it expeditiously if the slow wages from getting ready outperform the unfaltering costs of dealing with. The unfaltering livelihoods are evaluated by the qualification between the selling cost of the unit in the wake of getting ready and the selling cost at whatever point sold rapidly times the amount of units to be dealt with. The progressive costs are the unfaltering cost costs of getting ready and the open entryway costs of using the capacities to process the thing. Using a benefit in view of a particular objective makes a chief idea up the opportunity to use the advantage in elective ways. The lost open entryway is a cost that the manager must think about when settling on a decision. Opportunity cost is the promise to pay that is sworn off (rejected) by not using a compelled resource in its next-best elective use (Dopuch and Maher, 2005)

C-V-P analysis by formula method

As indicated by Lucy (2000, p. 284), C-V-P investigation can be embraced by graphical methods or by straightforward formulae as outlined below:

(A) For a solitary item entity or one with differing blend of offers, make back the break-even point is calculated with the accompanying formula:

$$(a) \text{Break-even point} = \frac{\text{Fixed costs}}{\text{Unit contribution margin (contribution/item)}} = \frac{FC}{UCM}$$

Where:

$$\text{Contribution margin} = (\text{Sales} - \text{variable expenses})$$

To utilize the above equation to discover an organization's target deals volume, basically include an objective benefit sum for each unit to the stable-cost segment of the recipe. This enables you to settle for the objective amount dependent on the assumptions utilized in the model.

$$(b) \text{Break-even point (naira sales)} = \frac{\text{Fixed costs}}{\text{Contribution/unit}} \times \text{Sales}$$

$$\text{Price/unit} = \text{Stable costs} \times \frac{1}{C/S \text{ ratio}}$$

$$(c) \text{ C/S Ratio} = \frac{\text{Contribution / unit}}{\text{Sales Price / unit}} \times 100$$

$$(d) \text{ Level of sale to result in target profit} = \frac{\text{Fixed costs} + \text{Target profit}}{\text{Unit contribution margin}} = \frac{FC + TP}{UCM}$$

$$(e) \text{ Level of sale to result in target profit after tax} = \frac{\text{Fixed costs} + \text{Target profit} / (1 - \text{Tax rate})}{\text{Unit contribution margin}}$$

$$(f) \text{ Level of sale to result in target profit (naira sales)} = \frac{(FC + TP) \times \text{Sales Price/unit}}{\text{Unit contribution margin}}$$

(B) With a multi item entity the make back the break-even point is determined as pursues:

$$(a) \text{Break-even point (naira sales)} = \frac{\text{Fixed costs} \times \text{Sales value}}{\text{Contribution}}$$

Chapter 2: A Case Technique Advance to Researching

Cost-Volume-Profit Analysis

This thesis shows a Multi-Disciplinary Case-Method way to deal with inquiring about Cost-Volume-Profit (CVP) Analysis enabling us to utilize our very own presumptions to mimic a genuine business startup analysis. The proposed business adventure is one of beginning a milkshake shack in the island of Maldives. We will figure out how to recognize stable and variable expenses, apply our very own portion suppositions, and decide if it is gainful to open up another business.

Introduction of the case

I present an option, progressively extensive showing approach, for Cost-Volume-Profit (CVP) examination from the generally utilized methodology which just shows us how to utilize a progression of conditions to settle different inquiries identified with CVP investigation, in which unit selling value, absolute stable expenses, and unit variable expenses are expected to stay consistent (Garrison et al. 2010; Choo and Tan, 2010).

I utilize a multi-disciplinary methodology with regards to a sensible case-examination. I trust this methodology offers valuable bits of knowledge and gives a helpful learning instrument to understudies seeking after a propelled Master's Degree. The current case expects us to:

- (a) make suppositions about expenses in a dynamic and intuitive manner;
- (b) research an assortment of showcasing issues for the proposed business that reenacts a genuine business circumstance.

This present paper's methodology likewise causes us see the interrelationships between a few ideas learned in fundamental alumni courses taken in their Master Degree program, and how CVP investigation can be an very helpful instrument for deciding the potential accomplishment of a business they should seriously mull over opening one day.

Specific consideration is given to imperative ideas, for example, make back the initial investment investigation and the impact of changing working suspicions

on definite outcomes.

We are expected to come into this course with a fundamental comprehension of ideas learned in center courses, for example, Finance, Financial Accounting, Marketing and Management. Notwithstanding being comfortable with ideas of stable versus variable costs, understudies are thought to be acquainted with how changes in these expenses associate with changes in deals income to decide net gain; ideas which ought to have just been canvassed in their Managerial Accounting course.

An extra advantage of this case is that understudies can regard it as a reenactment practice in which they change presumptions about various factors, for example, deals cost, direct materials' quality, absolute stable costs, devaluation lives, and deals blend, and so on to perceive how all factors, exclusively and altogether, influence their earn back the original investment focuses.

This point is regularly neglected in course readings that emphasis more on a condition approach in a static as opposed to a dynamic scientific methodology.

Advancement of the case

The case accept understudies will open a frappe shack on the shoreline of a hotel on the Islands of Maldives.

I have contemplated existing eateries, read industry reports, and have done some examination on anticipated that base expenses should be brought about in working the business.

A remarkable element of my frappes is that I will serve them with seasoned straws that coordinate the kind of the picked frappes by clients. My exploration inserts the accompanying suppositions:

Sales prices of frappes (\$5.00 for small, and \$8.00 for large)

DIRECT MATERIAL INGREDIENTS	Small (7oz. size)	Large(11oz.size)
Total Milk (\$14 for a 5.75 gallon=736 oz.)	(require 2 oz.)	(require 3 oz.)
Custard (\$18 for 1,50 gallon=192 oz.)	(require 2 oz.)	(require 3 oz.)
Sugar (\$9 for a 17 lb. bag=34 cups)	(require ½ cup)	(require ¾ cup)
Premium Chocolate Sundae (\$27 for 600 oz.)	(require 8 oz.)	(require 12 oz.)
Aromas.	0,30 per frappes	0,45 per frappes
Tasted sphere straws	0,70 per straw	0,70 per straw
Cups (500 7 oz. cups ----a cost of \$220)		-----
Cups (500 11 oz. cups ----a cost of \$270)	-----	

Stable expenses:

<input type="checkbox"/> Cabin charge: \$600 per month
<input type="checkbox"/> Cleaning and different incidental supplies: \$120 per month
<input type="checkbox"/> Apparatus: Industrial Frappe Maker: \$60 per machine x 12 instruments=\$720
<input type="checkbox"/> Apparatus: Manufacturing Freezer/Cooler: \$460
<input type="checkbox"/> Countertops: \$1,000
<input type="checkbox"/> Boards and seats for clients to sit outside: \$100 per seat set x 11=\$1,100
<input type="checkbox"/> Yearly protection: \$500 per year
<input type="checkbox"/> Sign: utilize your advertising information to think about a decent name= \$130

Total Stable Costs = \$4,630 for which understudies are accepted to take out a non-proprietor advance. A self amortizing advance is thought to be gotten from a bank, and conveys a yearly loan fee of 6% payable more than years with regularly scheduled installments (every regularly scheduled installment comprises of both main and intrigue).

Workers:

Two low maintenance representatives: with each getting a month to month compensation of \$750 every month (counting taxes and benefits).

Different expenses:

10% of gross deals must be given to resort where shack will be situated on its premises. Proprietor's capital will be utilized to take care of direct materials' expenses.

Obligations of the case

So as to respond to the inquiries underneath, you should make suppositions, and include/change stable and variable expenses (it would be ideal if you obviously show all presumptions made).

- 1) Using the above data, decide the quantity of frappes you should pitch to break indeed. So as to do this, you should set a business cost just as arrange the above expenses into stable or variable. (Clue: keep all expenses on either a week after week, month to month or yearly premise all through your examination).
- 2) Now work in a pay for yourself, and decide the measure of frappes you should sell to make initial investment point
- 3) Should you exit your profession to open the frappe shack?

Answers of the case

Exhibited beneath are two conceivable responses to this case. The principal answer utilizes just data furnished for the situation with the accompanying presumptions:

- 1)the frappes' business blend will be 60% vast and 40% little,
- 2)the proposed deals costs are utilized to be focused with different merchants, and
- 3)the frappe producers, tables and seats are expected to keep going for 4 years, yet the freezer/cooler and ledges are expected to keep going for 10 years.

Since this is a reproduction work out, the case permits understudies to perceive how the equal the initial investment deals amount changes relying on various suspicions about item deals blend, deal costs, depreciable existences of long haul resources just as factor costs, and enables them to add other vital stable expenses to the cost structure of the business restrictive all alone one of a kind business technique. In like manner, I present a second arrangement in the wake of changing a portion of the presumptions to demonstrate the impact that distinctive suppositions have on equal the initial investment deals volume.

Monthly stable costs:	
• Payment of 2 part-time employees	1,500.00
• Hire	600.00
• Equipments	120.00
• Frappe Maker depreciation	15.00 (720/ 48months)
• Cooler/freezer depreciation	3.83 (460/120 months)
• Counter pinnacles depreciation	8.33 (1,000/120months)
• Boards and benches depreciation	22.92 (1,100/48 months)
• Yearly insurance	41.67 (500/12months)
• Interest on lend	205.20
• Symbol	130.00

Total monthly Stable Costs**\$2,646.95**

Variable expenses will be costs that change in extent to the amount of products or administrations that a business produces. As it were, they are costs that change contingent upon the amount of movement. Variable costs increment as the amount of exercises increments and they decline as the amount of exercises diminishes. Variable costs assume an indispensable job in an earn back the original investment investigation. The make back the break even investigation is utilized to decide the measure of income or the expected units to pitch to take care of absolute expenses.

Variable Costs per unit:

Ingredient	Cost	Small	Large
Total milk	\$14 for 736 oz. 0.01902per oz.	0.04	0.06
Custard	\$18 for 192oz. 0.09375per oz.	0.19	0.28
Sugar	\$9 for 34 cups 0.26471 per cup	0.13	0.20
Chocolate Sundae	\$27 for 600 oz. 0.04500 per oz.	0.36	0.54
Aromas		0.30	0.45
Flavored Straws		0.70	0.70
Cups-7 ounces	\$220 for 500 cups 0.44000 per cup	0.44	
Cups-11 ounces	\$270 for 500 cups 0.54000 per cup		0.54
Total direct material cost per unit		\$2.16	\$2.77

Variable Expense Income Statement: utilizing a 40% (little) and 60% (extensive) deals blend in deciding the make back the initial investment deals volume:

	Little(40%)	Big (60%)	Weighted total
Deals cost per unit in the wake of taking out the 10% owed to resort	$\$5 \times 90\% = 4.5 \times 40\% = 1.800$	$\$8 \times 90\% = \$7.2 \times 60\% = 4.320$	6.120per unit
Variable expense per unit	$\$2.16 \times 40\% = 0.864$	$\$2.77 \times 60\% = 1.662$	2.526 Per unit
Commitment margin perunit	0.936	2.658	3.594 Per unit
Tota lStable expenses			\$2,646.95

1) You should sell 737frappess/month to equal initial investment= (\$2,646.95/3.594). Of the 737 frappes, 295 (737*40%) will be little, and 442 (737*60%) will be substantial.

2) If you incorporate with the examination a compensation of \$6,000 every month, you should sell 2,406frappes/month initial investment point (\$2,646.95+\$6,000)/3.594. Of the 2,406frappes, 962 (2,406*40%) will be little and 1444 (2,406*60%) will be substantial.

Variable Expense Income Statement: utilizing 40% (little) and 60% (substantial) deals blend in deciding the break even deals amount(no

compensation stipend for proprietor):

	Little(40%)	Big (60%)	Weighted total
Deals cost per unit in the wake of taking out the 10% owed to resort	$\$4.5 \times 295 \text{frappes} = \$1,327.5$	$\$7.2 \times 442 \text{frappes} = \$3,182.4$	\$ 4,509.9
Variable expense per unit	$\$2.16 \times 295 \text{frappes} = \637.2	$\$2.77 \times 442 \text{frappes} = \$1,224.34$	\$1,861.54
Commitment margin per unit	\$690.3	\$1,958.06	\$2,648.36
Total Stable expenses			\$2,646.95
Net Income			\$1.41

Note: The break even deals quantity is 736.49frappes. The Variable Expense Income Statement utilizes the initial investment amount of 737frappes.

Variable Expense Income Statement: utilizing 40% (little) and 60% (expansive) deals blend in deciding the break-even deals amount (with a compensation stipend of \$6,000 pay every month for proprietor):

	Little(40%)	Big (60%)	Weighted total
Deals cost per unit in the wake of taking out the 10% owed to resort	$\$4.5 \times 962 \text{ frappes} = \$4,329$	$\$7.2 \times 1444 \text{ frappes} = \$10,396.8$	\$14,725.8
Variable expense per unit	$\$2.16 \times 962 \text{ frappes} = \$2,077.92$	$2.77 \times 1444 \text{ frappes} = \$3,999.88$	\$6,077.8
Commitment margin per unit	\$2,251.08	\$6,396.92	\$8,648
Total Stable expenses			\$8,646.95

Net Income			\$1.05
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Note: The break even quantity is at this instant 2,405.94frappes. The Variable Expense Income Statement utilizes the initial investment amount of 2,406frappes.

In the second arrangement of answers, affectability of make back the initial investment deals amount to changes in commitments to CVP Analysis is illustrated. Here, the business blend is changed to 20% little and 80% huge frappes (rather than 40/60), and the business cost is changed to \$6.5 for a little frappe and \$9.5 for a substantial frappe trying to be more cost aggressive. Moreover, publicizing expenses of \$100 per month (rather than no promoting expenses), and a higher pay for the proprietor of \$7,000 (rather than \$6000) every month is accepted.

Variable Expense Income Statement: utilizing a 20% (little) and 80% (extensive) deals blend in deciding the make back the initial investment deals volume:

	Little(20%)	Big (80%)	Weighted total
Deals cost per unit in the wake of taking out the 10% owed to resort	$\$6.5 \times 90\% = 5.85$ 20% =1.17	$\$9.5 \times 90\% = \8.55 *80% =6.84	8.010per unit
Variable expense per unit	$\$2.16 \times 20\% = 0.43$ 2	$\$2.77 \times 80\% = 2.21$ 6	2.648 Per unit
Commitment margin per unit	0.738	4.624	5.362 Per unit
Total Stable			2,646.95+ +100=

expenses			=2,746.95
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1) You should sell 512frappess/month to equal initial investment= (\$2,746.95/5.362). Of the 512 frappes, 103 (512*20%) will be little, and 409 (512*80%) will be substantial.

2) If you incorporate with the examination a compensation of \$7,000 every month, you should sell 2,406frappes/month initial investment point (\$2,746.95+\$7,000)/5.362. Of the 1,818 frappes, 364 (1,818*20%) will be little and 1454 (1,818*80%) will be substantial.

Variable Expense Income Statement: utilizing 20% (little) and 80% (substantial) deals blend in deciding the break even deals amount(no compensation stipend for proprietor):

	Little(20%)	Big (80%)	Weighted total
Deals cost per unit in the wake of taking out the 10% owed to resort	\$5.85*103frappes =\$602.55	\$8.55*409frappes =\$3,496.95	\$ 4,099.5
Variable expense per unit	\$2.16*103 frappes= =\$222.48	\$2.77*409 frappes= \$1,132.93	\$1,355.41

Commitment margin per unit	\$380.07	\$2,364.02	\$2,744.09
Total Stable expenses			\$2,746.95
Net Income			0 or \$2.86 loss

Note: The break even deals quantity is 512.30frappes. The Variable Expense Income Statement utilizes the initial investment amount of 512frappes. The income Statement demonstrates a little profit (owing to rounding fault) since you cannot deal fractional frappes.

Variable Expense Income Statement: utilizing 40% (little) and 60% (expansive) deals blend in deciding the break-even deals amount (with a compensation stipend of \$7,000 pay every month for proprietor):

	Little(20%)	Big (80%)	Weighted total
Deals cost per unit in the wake of taking out the 10% owed to	$\$5.85 \times 364 \text{frappes} = \$2,129.4$	$\$8.55 \times 1454 \text{frappes} = \$12,431.7$	\$14,561.1

resort			
Variable expense per unit	\$2.16*364 frappes= \$786.24	2.77*1454 frappes= \$4,027.58	\$4,813.82
Commitment margin perunit	\$1,343.16	\$8,404.12	\$9,747.28
Total Stableexpenses			\$9,746.95
Net Income			\$0.33

Note: The break even quantity is at this instant 1,817.78frappes. The Variable Expense Income Statement utilizes the initial investment amount of 1,818frappes.

Conclusion of the case

I trust that this case adds to everybody comprehension of CVP Analysis past conventional ways to deal with inquiring about that concept.

How information picked up from these courses can be utilized to:

- (a) set deals costs and incorporate in publicizing costs with the investigation (ideas learned in a showcasing class)
- (b) pick nature of direct materials and work, the two of which influence variable costs (ideas learned in an administration class)
- (c) make suspicions about deterioration lives (ideas learned in a money related bookkeeping class)
- (d) to wrap things up, get ready amortization plans for regularly scheduled installments, and separating every installment into its two parts premium and guideline (ideas learned in an account class). The case likewise gives us adaptability to make diverse presumptions about essential business start-up

expenses, and quickly observe the effect of shifting suppositions on earn back the original investment focuses.

It is significant for us to understand how CVP examination can be an incredibly valuable instrument for deciding potential achievement of a business adventure they may begin one day. In addition, the case gives them involvement in directing unique recreations, and seeing how changing suppositions influence assessed make back the initial investment focuses. This last point is regularly neglected in course readings which as a rule center around a condition based way to deal with comprehending for initial investment focuses in a static logical system which may not emulate genuine circumstances that insert changing business conditions.

As a major aspect of it being brisk and simple to utilize, CVP investigation has a worked in set of *assumptions* and *limitations* that are genuinely inflexible. For instance, CVP investigation expect that an organization offers one item, or that in the event that it sells different items the extent of the amount of every item is sold stays steady. This is known as a steady deals blend suspicion, and numerous organizations don't pursue this business design. For instance, an eatery most likely sells more sweltering beverages in the winter than it does in the mid year, and these beverages could have diverse cost suspicions. In the event that your organization has an expansive assortment of items or in the event that your blend of items sold changes habitually, at that point CVP examination may not work for you.

The Assumptions (hypothesis) fundamental Cost-Volume-Profit Analysis

Despite the fact that the CVP show is a solid and valuable instrument, its yield relies upon the suppositions made by costs investigators, which incorporate which costs are stable and which costs are variable. Be that as it may, because of the guide of programming programs, numerous limitations of CVP examination have been dispensed with. At the point when administrators use CVP investigation to settle on business choices, the accompanying assumptions are

made:

- ❖ All costs (counting fabricating, authoritative, and overhead expenses) can be precisely recognized as either stable or variable.
- ❖ The selling cost per unit is consistent.
- ❖ Changes in movement are the main factors that influence costs.
- ❖ All units delivered are sold.

The CVP examination is liable to the accompanying constraining suspicions.

➤ *Expenses are arranged into variable or stable*

All expenses are ventured to be named either factor or stable. In the genuine business condition be that as it may, costs act in an unexpected way. Clients of CVP examination should most likely recognize variable expenses from stable expenses, and the other way around. Likewise, unique strategies are utilized to isolate blended expenses into absolutely factor and simply stable. Variable expenses per unit are steady. All out factor cost changes legitimately with the amount of movement. Then again, all out stable expenses stay steady paying little respect to the dimension of action.

➤ *Straight relationship inside a pertinent range*

Cost and income connections are direct inside an important scope of action and over a predetermined timeframe.

State for instance, the stable expenses from 1 to 500,000 units may be not quite the same as the stable expenses at 500,001 or more. Variable expenses may likewise be unique. Consequently, we accept that we are working inside one pertinent range for which the conduct of stable and variable expenses are relevant.

➤ *Stock dimension does not change from period to period*

It is accepted that all units created are sold amid the period; consequently, there is no adjustment in starting and consummation stock dimensions.

➤ *Amount is the main factor influencing variable expenses*

As amount(or dimension of movement) expands, the complete variable cost increments straightforwardly with the adjustment in volume. On the off chance

that the variable expense per unit is, state \$5 per unit, the all out factor expenses would be equivalent to \$5 increased by the quantity of units delivered. It is imperative to observe that amount is the main factor influencing all out factor costs. The variable expense per unit is thought to be steady. Profitability and effectiveness concerns are in like manner overlooked (expected steady).

➤ *Selling price is steady*

The selling cost and economic situations are consistent. Likewise, if the business delivers and sells various items, the business blend is expected consistent.

Regardless of its impediments, the CVP investigation is a helpful instrument in basic leadership when utilized effectively. The confinements rearrange the way toward breaking down the impact of changes in action level to costs and at last, to benefit. CVP investigation give data to help supervisors in deciding the earn back the original investment point and in defining momentary objectives, for example, deals targets, benefit destinations, creation spending plans, and evaluating techniques.

Due to the different assumptions, CVP is just an estimate. CVP examination needs gauges and guess in amassing essential information. Along these lines, CVP investigation needs exactness and accuracy. In CVP examination, it is expected that the absolute deals and complete expenses are direct, and can be spoken to by straight lines. At times, this suspicion may not be valid (for example in the event that a business sells more units, the variable expenses per unit may not diminish because of all the more working efficiencies in the manufacturing plant). CVP examination is performed inside a pertinent scope of working movement and it is expected that profitability and productive tasks will stay steady. This presumption may not be substantial. CVP investigation expect that expenses can be precisely partitioned into stable and variable classifications, which isn't in every case simple to do. While one director may arrange an expense as factor, another may state it is stable. Is it critical to realize that these restrictions and presumptions exist in

such a case that we know about them, we can keep a cautious watch on how/in the event that they influence our arranging or potentially primary concern. That way, we can make fundamental alterations in an opportune way , hence we can be proactive rather than responsive.

The benefit amount and cost-volume-benefit charts depend on some imperative suppositions which incorporates:

- ❖ all out expenses can be partitioned into a stable segment and a segment that is variable as for the dimension of yield;
- ❖ the conduct of complete incomes and all out expenses is direct (straight-line) in connection to yield units inside the significant range;
- ❖ the item selling price, unit variable expenses and unit or all out stable expenses can be precisely distinguished and are steady;
- ❖ the investigation either wraps a solitary item or accept that the extent of various items (deals blend) when multiple items are sold is referred to and will stay consistent as the dimension of all out units sold changes;
- ❖ all incomes and expenses can be included and looked at without considering the time estimation of cash (this suspicion is loosened up while considering capital speculation decision;
- ❖ changes in the dimension of incomes and expenses emerge simply because of changes in the number of products (or administration) units created and sold.
- ❖ the quantity of yield units is the main income and cost driver;
- ❖ the price per item and the variable expense per unit (and in this way the commitment margin per item) continue as before over all dimensions of creation;
- ❖ stable expenses continue as before over all mulled over dimensions of generation and deals parallel generation (that is, what is delivered is sold). (Atkinson et al., 2012; Hansen et al., 2006; Bhimani et al., 2008; Horngren, Foster and Datar,1999).

Despite the fact that CVP investigation is a valuable administration bookkeeping apparatuses, its decisions are legitimate just when the accompanying assumptions

hold:

- ❖ All expense can be arranged as factor or stable. For this reason, blended expenses are bifurcated into variable and stable parts utilizing systems such high-low technique, dissipate diagram strategy and relapse examination.
- ❖ Sales price per item, variable expense per unit and absolute stable expense are steady. This supposition is hazardous because of presence of economies of scale, expanding/diminishing comes back to scale and expectation to learn and adapt impact.
- ❖ All incomes and cost have a direct association with volume.
- ❖ The business blend of an organization stays steady.

Limitations or Restrictions of CVP examination

CVP examination is a valuable arranging and basic leadership gadget, more often than not as an outline, indicating how income, expenses, and benefit change with volume. The CVP method is helpful to management in regions of planning, cost control and basic leadership. Planning utilizes CVP to figure benefits. Further, CVP is utilized to assess the benefit effect of elective choices. Following the contemplations of the accompanying analysts (McWatters et al. 2001, Mchlaney and Atrill. 2002, Blocher et al. 2002, Garrison and Noreen. 2003), the accompanying four essential impediments were recognized as respects CVP examination: Multiple items; Assumption of a stable deals value; Non-straight connections and One-item demonstrate.

- ❖ CVP examination expect stable expense is consistent which isn't the situation dependably; past certain dimension stable expense additionally changes.
- ❖ Variable expense is accepted to fluctuate proportionately which doesn't occur in all actuality.
- ❖ Cost amount profit examination accept costs are either stable or variable; be that as it may, as a general rule, a few expenses are semi-stable in nature. For instance, Telephone costs which involve a stable month to month charge and a variable charge dependent on the quantity of calls made.

Regardless of CVP being a valuable procedure, it experiences a portion of the accompanying constraints:

- I. As a result of the numerous presumptions, CVP is just a guess, best case scenario. CVP investigation needs gauges and estimate in gathering vital information and accordingly needs exactness and accuracy.
- II. In CVP examination, it is expected that all out deals and complete expenses are direct and can be spoken to by straight lines. Now and again, this suspicion may not be discovered valid. For example, if a business firm sells more units, the variable expenses per unit may diminish because of all the more working efficiencies in the processing plant.
- III. CVP examination is performed inside a pertinent scope of working movement and it is accepted that profitability and productivity of activities will stay steady. This supposition may not be legitimate.
- IV. CVP examination expect that expenses can be precisely separated into stable and variable classifications. Such classification is in some cases troublesome by and by.
- V. CVP examination accept no adjustment in the stock amounts, amid the period. That is, opening stock units measure up to the end stock units. This likewise implies units created during the period are equivalent to units sold. At the point when changes happen in stock dimension, CVP investigation turns out to be progressively mind boggling.
- VI. In the event that costs, unit costs, deals blend, working effectiveness, or other applicable variables change, at that point the general CVP examination and connections additionally should be altered. In view of these suspicions, cost information are of constrained hugeness.
- VII. Moreover, various issues emerge while making a multi-item investigation under CVP examination. The main issue is distinguishing the offices which are shared by irrelevant items. Whenever stable costs and office utilizations can be recognized straightforwardly with individual items, the investigation will be

attractive. A second issue happens if there is a non-straight relationship in the units of estimation. Distinctive items regularly yield diverse commitment edges and are delivered in different amounts with contrasting expenses.

Subsequently neither the income bend nor the cost bend is fundamentally straight and the make back the initial investment point is hard to discover. A third issue lies in the supposition of conviction popular projections. Most examinations performed by bookkeepers and supervisors are deterministic, conviction is accepted despite the fact that vulnerability is the earth of activity.

A fourth issue is the multifaceted nature of examination where a few items are concerned. The creator of income and cost bends for every item plotted on the regular make back the initial investment bunch results commonly in a useless jumble.

In this manner, while planning or deciphering cost-amount benefit investigation all suspicions and limitations ought to be deliberately considered. A progression of CVP examination, in light of various arrangements of suppositions and conditions might be set up to reflect circumstances winning in various business ventures. At the point when conditions change, CVP examination ought to likewise be updated to mirror the evolving circumstances. It is likewise important to have modern investigation with the goal that it can go about as a valuable gadget in benefit estimate, planning, cost control and administrative basic leadership.

CVP is a small run, negligible investigation: it accept that unit variable expenses and unit incomes are consistent, which is suitable for little deviations from current creation and deals, and expect a perfect division between stable expenses and variable expenses, however over the long haul all costs are variable. For longer-term examination that considers the whole life-cycle of an item, one subsequently regularly inclines toward action based costing or through set bookkeeping. When we investigate CVP is the situate we exhibit the time when in an entity here will be no benefit nor misfortune implies that firm works in initial

investment circumstance

- ❖ Isolation of all out expenses addicted to its stable and variable segments is dependably an overwhelming assignment to do.
- ❖ Stable expenses are probably not going to remain consistent as yield increments past a specific scope of movement.
- ❖ The examination is confined to the important range indicated and past that the outcomes can wind up inconsistent.
- ❖ Beside volume, different components like swelling, productivity, limit and innovation sway on costs
- ❖ Unreasonable to accept deals blend stay steady since this relies upon the changing interest levels.
- ❖ The suspicion of direct property of all out expense and all out income depends on the presumption that unit variable expense and selling cost are constantly steady. All things considered, it is substantial inside significant range or period and prone to change.

Chapter 3: Results of Case about CVP analysis in Azerbaijan and experts opinion

In this study I studied the theoretical models and the world model of CVP, but the purpose of this study is to examine the CVP in Azerbaijan and to see

whether this analysis is in our country. So I first made a questionnaire and shared it with the accountants, but when I was in contact with the questionnaire I saw that there were some serious problems with the CVP application. For example, I noticed many people who did not believe in CVP analysis. Additionally, it can be seen from an accountant who says that the CVP's limitations are ineffective and that CVP is difficult for the limitations.

Based on the results I came up with, I can say that the use of CVP analysis in Azerbaijan is very narrow. In fact, my goal was to study the cause, but I was forced to do so because of the fact that I could not ask the accountants why I refused the survey.

So, after declining the survey, I decided to get expert opinions. Each of my experts is engaged in academic and research activities in this area.

Now I present questions and answers which I asked from experts about CVP analysis and they answered according to my questions.

Opinions of experts

I. Does CVP analysis really apply in Azerbaijan?

Associate Professor Firudin Sultanov: In fact, the use of CVP in our country is very small, on the other hand, it depends on the size of the company directly. Actually, companies that start a business with a normal business plan focus on CVP analysis in their plans. Really, the entrepreneur and the founder play an important role in this field of knowledge. Some of the founders have not graduated from the university in this area. But because they do not know these issues, they can end up damaging to apply this analysis for profit and this leads to bankruptcy.

Teacher Sanan Huseynzada: Actually, 90% of companies in Azerbaijan do not use CVP analysis due to the fact that managerial accounting is not very well developed and their application is ineffective. On the other hand, since the Ministry of Taxes does not require the use of CVP analysis, companies consider it a waste of time and avoid running CVP. But in my opinion, the most widely

used CVP analysis is the Sadarak shopping center.

Dr.Elsavar Ibadov: In general, in Azerbaijan, I think that managerial accounting is not good at including CVP analysis. The reason for this is that our country's accounting system is based on tax domination. That is, companies have put forward the requirements of the Ministry of Taxes, but they do not pay great attention to their accountability. On the other hand, if the country's financial accounting remain behind, management accounting is even behind. In other words, tax accounting have been put in the foreground.

In fact, it was easier to earn money in countries like Azerbaijan before the devaluation, because the money was very valuable, but after the devaluation, the competition of companies became even more difficult, and then the importance of managerial accounting began to emerge. Because companies had to reduce their expenses to calculate their product sales in competitive environment and even many companies are currently unable to identify the product cost correctly, which was worse than before. Now, this process is relatively good.

Regarding the definition of CVP analysis, this is usually the case when new start-ups and new companies start to work. The new majority I have seen in companies already have interest in CVP analysis. They do at least minimize the minimum number of production or how much after the production they do not plan to do everything in advance. They do not even want to overcome their attitudes. Even in very simple businesses, for example, in the debate of new startups in the "New Ideas" project we sometimes participate as jury or reviewer. So how do they think, how much we can earn, how much can we earn, or how much will we earn after production? and what is the market demand for this product?

That's what I think about it. The CVP analysis of the current situation in Azerbaijan was very disadvantageous, but in recent years, the formation of a competitive environment created by compulsory increases the importance of this analysis.

PhD. Tahmasib Huseynov: In our country, CVP analysis has not been widespread, and in recent years there has been a need to use it. Especially after the devaluation, the management accounting has come to the forefront. In Azerbaijan CVP analysis is applied depending on the profile of the enterprises. Usually, CVP analysis is used in enterprises operating in the food industry.

Associate Professor Agamir Asgarov: As a matter of fact, 80% of organizations in Azerbaijan don't utilize CVP investigation because of the way that administrative bookkeeping isn't all around created and their application is insufficient. Then again, since the government does not require the utilization of CVP examination, organizations think of it as an exercise in futility and abstain from running CVP. In any case, as I would see it, the most broadly utilized CVP investigation are the malls.

Teacher Nasimi Nuriyev: In fact, CVP analysis is one of the biggest wounded topics for Azerbaijan in the country market. So, the use of CVP is at an impressive level, since this is more of a marketer's interest. Although financiers should know about CVP analysis but more marketers falls on it.

II. What is the main reason why the use of CVP analysis in our country is limited?

Associate Professor Firudin Sultanov: In truth, there are many factors here. But the most important factor is the market environment. As we know, our market monopoly dominates, and companies consider that CVP analysis is insignificant because of the lack or lack of competition. If we look at the theoretical part, is considered more effective and competitive in competitive markets.

Teacher Sanan Huseynzada: In actual fact, there are many reasons why CVP can not be used in Azerbaijan. For example, people tend to believe in this analysis but are far from practicing it and apply very little. In my opinion, there is no competition among companies in our country because companies are not enthusiastic about applying CVP. In other words, monopoly destroys everything. Companies are convinced that monopoly and lack of competitor will sell 100% of

their production. In this case, companies will have a initial investment point within the CVP you do not need to calculate.

Lastly, entrepreneurs have little academic knowledge in this area. Since entrepreneurs and founders are usually middle-aged or old-aged, they are unequivocally exposed to modern-day warfare. So they do not want to go beyond routine and do extra effort. As can be seen from here, the main reason for the low CVP application is financial illiteracy.

Dr.Elsavar Ibadov: Unfortunately, in our country there is a serious financial illiteracy in this area, and this is the main reason why CVP is not available. The second reason is that entrepreneurs and managers are sometimes the same people. If this entrepreneur is illiterate, he manages the company as a leader without knowledge. He does not understand how efficient the CVP is and how useful it is for the entity. In Azerbaijan, this process is very weak, but in the newly established, somewhat more intelligent and logical businesses, they now focus on the CVP analysis.

In the end, the other reason for the lack of a CVP application is monopoly domination. So if there is monopoly in the country, there is no competition. When Henry Ford says, "I'm producing a black car, but the customer can get what he wants." This is a more natural version of monopoly .Because it is not a car maker in the market, it is the only producer in the market, and people will be forced to buy it.

For example, I bought this pencil for £ 0.4 and the average cost of the item in this category is 0.4 AZN. If you have a competition, we can not sell this pen for £ 0.5 to make a lot of money, that is, the pen for example, we have to earn 0.1 AZN while the pencil production is 0.3AZN and now we have to earn 0.15 AZN by producing 0.25 AZN. So we have to lower the cost of the goods here, so we have to earn more by managing expenses, .If there is a competitive market, all companies will fully apply managerial accounting and will definitely develop both CVP and other areas.For example, the Xiaomi mobile phone will be

compelled to reduce the price or other innovations in other mobile phone manufacturers because it is inexpensive to enter the market. They should leave the market after a certain period of time.

PhD.Tahmasib Huseynov: There are many reasons why CVP analysis in our country is widespread. One of them is the weakness of the accounting and finance department of the company. Another reason is that in our country mostly unattended tax records are used. In other words, all expenses, analyzes and other factors are calculated from a taxable point of view. It is not interesting for companies to apply CVP in our country.

Associate Professor Agamir Asgarov: In undeniable reality, there are numerous reasons why CVP can not be utilized in Azerbaijan. For instance, individuals will in general put stock in this examination yet are a long way from rehearsing it and apply practically nothing. As I would like to think, there is no challenge among organizations in our nation since organizations are not energetic about applying CVP. As such, restraining infrastructure crushes everything. Organizations are persuaded that syndication and absence of contender will sell totally their generation. For this situation, organizations will have a initial investment point inside the CVP you don't have to figure.

In conclusion, business visionaries have minimal scholastic information here. Since business people and authors are generally moderately aged or old-matured, they are unequivocally presented to cutting edge fighting. So they would prefer not to go past everyday practice and do additional exertion. As can be seen from here, the primary purpose behind the low CVP application is budgetary absence of education.

Teacher Nasimi Nuriyev: CVP analysis is very important in most international and larger markets, because the competitive market-based economy is much more advantageous in large markets. However, the biggest problem in our country's use of CVP is that the economy market is not very competitive. So, there are several major participants in the market, Looking at the food industry,

for example, all major manufacturers are part of one or two holding companies and do not promote competition. But if we look at America or other European countries, we see that small and medium-sized manufacturers thus raising competitiveness in the market of food products. That is, competition in this area is high. To date, CVP analysis is used in many larger companies in Azerbaijan, and there are many rivals in this field.

III. What are the shortcomings in applying CVP analysis in our country?

Associate Professor Firudin Sultanov: I can say that if the answer to this question is a cost-volume-profit issue is always based on estimates. So you should know beforehand how much product can you sell? How many products can you produce? The reason for this is that sometimes the plans do not coincide with the facts. At this point there are serious problems in forecasting.

Here you can play a key role in determining production amounts. For example, you can produce 100 products, but eventually produce 70 products. The initial investment point is 80 products. At this time, you can not reach the initial investment point when you are in 70 occupations and this is undesirable.

In another case, you have calculated the production power correctly, but you do not take into account the market demand for this product. For example, you produce 100 of these repetitions, but the market requires 60 products, but you can not reach the initial investment point again.

Teacher Sanan Huseynzada: In truth, I see the biggest problem here in financial literacy and lack of vision. There is a sharp divergence between entrepreneurs, accountants and financial managers. Because entrepreneurs are not open to innovation. Soviet accounting is more effective for them and they do not want to fit new standards, Innovative ideas are unmatched to them. But, of course, this is not all about entrepreneurship, because there are people who are really interested in innovation and who are skillful for development.

The other problem is that there is no special software for CVP calculation

in this area. Accountants are lazy to calculate CVP in a book or Excel program.

Dr.Elsavar Ibadov: The first failure in implementing the CVP is financial illiteracy. So the leaders are uneducated in this regard. Those leaders do not know this because they are unaware of it, they think that their business experience in the market is enough for everything.

The second problem is the shortage of personnel. There is a lack of managerial records in Azerbaijan. There is a great demand for people with good management records. However, the change in recent years is in the positive direction. So, the main reasons are personnel shortages, illiteracy of entrepreneurs and sometimes entrepreneurs' despair. That is, they put this into the second order because entrepreneurs' beliefs about unofficial market conditions are superior to their scientific beliefs.

PhD.Tahmasib Huseynov: As I mentioned earlier, there are many shortcomings in the implementation of CVP analysis in Azerbaijan. The first is that there is no single legislation and guidelines in this area. The second deficit is the existence of monopoly. That is, domination and monopoly do not allow entrepreneurs to show interest in CVP. That is, there is no interest in buying or selling shares. This interest will arise when the securities market is fully formed, and they will determine whether they can compete in the market by analyzing the CVP.

Other deficiencies here are that companies do not have a special structure for marketing, accounting and other departments. That is, it directly affects the managerial accounting.

Associate Professor Agamir Asgarov: Actually, I see the most serious issue here in money related education and absence of vision. There is a sharp disparity between business visionaries, bookkeepers and money related administrators. Since business people are not open to advancement. Previous bookkeeping is progressively powerful for them and they would prefer not to fit new principles,

Innovative thoughts are unmatched to them. In any case, obviously, this isn't about enterprise, in light of the fact that there are individuals who are truly intrigued by advancement and who are able for improvement.

Teacher Nasimi Nuriyev: In fact, there are many shortcomings in the widespread application of CVP in our country. One of them is the problem of accounting. That is, the fact that the proper financial records and the correct data entry process are directly affected by management accounting. If there is no proper financial accounting in the enterprise, other costs analysis and other costs and CVP analysis will not yield 100% correct results. In my opinion, if we want to ensure the development of CVP analysis, then we must first ensure proper financial records.

IV. Do you think Azerbaijan has a single product CVP or multiple product CVP more widely? Why?

Associate Professor Firudin Sultanov: As far as I am concerned, CVP is less applicable in our country, but companies that apply often often prefer single-product CVP. Although single product CVP analysis is more prominent, multiple product CVP is very important and vital because there are stable costs where the company sells several products (A, B, C, D, and so on), and the way to calculate costs more accurately is a multiple product CVP.

Teacher Sanan Huseynzada: Companies in our country will apply more than single-product CVP analysis. Because a relevant system is required for multiple product CVP applications. So there are no special algorithms to apply.

The main reason why firms escape from multiple product CVP is that this type of software is very difficult and laborious. So, as I mentioned before, special programs are needed and no one wants to spend extra time on it. Sometimes some amateur accountants only calculate single product CVP, it does not apply to the company, so it is not approved by the company.

Dr.Elsavar Ibadov:In fact, CVP analysis is very rarely used in Azerbaijan.

It is difficult to choose here. For example, STP (Sumgait Technologies Park) produces hundreds of products in different categories, but it is better if this company divides the CVP into categories. Sometimes the information it receives in the company may be less expensive than the time it was spent or the money spent on it. So, it is more effective to apply accurate classifications to certain segments rather than going to very small products. In my opinion, CVP analysis is neither a single product nor a multiple product. The CVP analysis should be applied to certain categories.

PhD.Tahmasib Huseynov: In our country, single product CVP is not overwhelming. 80% of companies using CVP use multiple product CVP analysis. Because here the analysis is very relaxed and easy. So the data is analyzed together once and for all. This is a feature that distinguishes it from single product CVP.

Associate Professor Agamir Asgarov: Organizations in our nation will apply more than single-item CVP examination. Since a significant framework is required for various item CVP applications. So there are no extraordinary calculations to apply.

The primary motivation behind why firms escape from various item CVP is that this kind of programming is troublesome and arduous. Thus, as I referenced previously, exceptional projects are required and nobody needs to invest additional energy in it. Once in a while some beginner bookkeepers just figure single item CVP, it doesn't have any significant bearing to the organization, so it isn't affirmed by the organization.

Teacher Nasimi Nuriyev: To the extent I am concerned, CVP is less material in our nation, however organizations that apply regularly frequently lean toward single-item CVP. Albeit single item CVP investigation is progressively conspicuous, numerous item CVP is significant and fundamental in light of the fact that there are stable costs where the organization sells a few items.

V. *Why do companies run from multiple product CVP?*

Associate Professor Firudin Sultanov: Usually, the founder of the company does not believe in his financial figures or does not ask the financial manager or accountant for any of these issues because he does not know these things. At this time, the financial manager and the accountant think that the investigation is insignificant when the founder does not want CVP, and we can see that the main problem is financial illiteracy in here.

Teacher Sanan Huseynzada: The main reason why firms escape from multiple product CVP is that this type of software is very difficult and laborious. So, as I mentioned before, special programs are needed and no one wants to spend extra time on it. Sometimes some amateur accountants only calculate single product CVP, it does not apply to the company, so it is not approved by the company.

Dr. Elsavar Ibadov: I think they think that multiple product CVPs are more challenging and time-consuming. However, this is not hard at all. If you have an ERP system running on the company, it's hard to apply. Simply gathering and analyzing data may be a little harder when applying for the first time. How the data is processed and analyzed here in the next process. If the company has an excellent ERP system, either there are CVP functions or the functions that the programmer adds to ERP once and is ready to be used continuously.

PhD. Tahmasib Huseynov: Although most companies in our country use multiple product CVP analysis but are far from those companies, because many product CVP are very difficult for them. I am inclined to believe that they feel that different item CVP are all the more testing and tedious. Be that as it may, this isn't hard in any way. On the off chance that you have a significant framework running on the organization, it is difficult to apply. Just assembling and dissecting information might be a little harder while applying rare.

Associate Professor Agamir Asgarov: The principle motivation behind why firms escape from numerous item CVP is that this kind of programming is

troublesome and relentless. In this way, as I referenced previously, exceptional projects are required and nobody needs to invest additional energy in it. Now and then some beginner bookkeepers just figure single item CVP, it doesn't make a difference to the organization, so it isn't endorsed by the organization.

Teacher Nasimi Nuriyev: For the most part, the organizer of the organization does not trust in his money related figures or does not approach the monetary supervisor or bookkeeper for any of these issues since he doesn't know these things. Right now, the monetary director and the bookkeeper imagine that the examination is irrelevant when the organizer does not need CVP, and we can see that the fundamental issue is budgetary lack of education in here.

VI. *How can we eliminate the deficiencies in this area?*

Associate Professor Firudin Sultanov: In recent years, deficiencies have been overcome by companies. After the first devaluation, the managers of the company began to understand the reality. Previously, the profit margin was too much, that is, sold even when it was manufactured, and much money was allocated to the projects. More precisely, there was a demand for every product produced because people had more money. After devaluation, the government did not allocate funds for the projects, and the decline and the depreciation of the money directly affected the needs of the people. The other problem was that we were dependent on imports. Expenditures increased because of all the imports processed in dollars. These people's purchasing power fell and these direct companies affected. Because of the high profit margins previously, companies were not interested in analytics for CVP analysis companies because they knew that the product would be produced to 5 AZN and sold at 10 AZN. Because people had less costs and more product requirements. But now companies are forced to sell their products for 6-7 AZN which they produced for 5 AZN. At the present time, companies are able to determine their costs by applying CVP analysis. This allows them to feel the loss beforehand.

Recently, companies allocate funds for consulting programs. As we know,

it is important to know the cost for determining the price, but before this there was no need, because there was a single market price and was in demand.

Teacher Sanan Huseynzada: To eliminate shortcomings, the system must be changed first. So the monopoly should be abolished and the competitive market should be created. The companies must be fully free. The first attempt is to disseminate anti-monopoly.

Another solution is to increase literate and qualified staff and create colossal opportunities for young generation for improving the accounting system.

Dr.Elsavar Ibadov:The biggest way to eliminate shortcomings in this field is the training of qualified cadres. That is, the development of knowledge in this field is because a person should believe that it is efficient, so that other people can convince it. If students learn this, they will be fully educated, I think that the growth of such students will eliminate these problems. So, the person can not demand that from a person who does not believe it. So, it is not enough to just learn. Man should fully master it. As the number of cadres the deficiencies in this area will be eliminated. So these young people will definitely use CVP analysis when establishing their business.

Another solution is to ensure complete competition. If the competition is high, the need for CVP analysis will be increased. Government must eliminate monopoly for improving managerial accounting also CVP analysis.

PhD. Tahmasib Huseynov: In my opinion, a single competitive economy should be created to address the shortcomings in this area. As we have already seen, the '11 Strateji Road Map 'has been adopted to increase competition, and each of them has been put in the forefront of competition. That is, competition should be in all areas. For example, the key issue in the field of agriculture, financial instability and production is to create or increase competition. If competition is fully formed and a single "Competition Code" is adopted, then all the shortcomings in this process will be eliminated.

In the end, if the company's mandatory structure will be formed, then

these problems will be eliminated. For example, we have 4 types of entrepreneurship subjects. At least macro and mid-level subjects should be assigned a mandatory structure. For example, the marketing department should calculate the final market value and even CVP will want to look at the results of the analysis. Because it is important to choose a suitable price for your competitors in the market. As you can see from this point, if the single structure is created, the application of CVP will be compulsory and desirable.

Associate Professor Agamir Asgarov: To dispose of weaknesses, the framework must be changed first. So the restraining infrastructure ought to be annulled and the focused market ought to be made. The organizations must be completely free. The primary endeavor is to spread enemy of imposing business model.

Another arrangement is to expand proficient and qualified staff and make giant open doors for youthful age for improving the bookkeeping framework.

Teacher Nasimi Nuriyev: As the quantity of units the insufficiencies around there will be killed. So these youngsters will utilize CVP examination while building up their business.

Best arrangement is to guarantee total challenge. In the event that the challenge is high, the requirement for CVP examination will be expanded. Government must wipe out restraining infrastructure for improving administrative bookkeeping additionally CVP examination.

VII. Why is not a system suitable for the development of CVP analysis in our country?

Associate Professor Firudin Sultanov: In fact, there is no need for CVP programming. In recent years, ERP software is widely used in our country. Because now companies want accurate accounting and they switch to ERP instead of book-entry. I think that keeping the CVP analysis within the ERP is not yet affordable for our country. Most likely, after 20 years, CVP can be fully deployed

and implemented in ERP. But this is not a problem for CVP calculation, so accountants can calculate CVP on paper, Excel, etc.

Teacher Sanan Huseynzada: Indeed, there is no requirement for CVP analysis programming. Because the parties are not inclined to targets for the mutual CVP analysis. So they see this as an additional expense, which is insignificant for them. In addition, due to the fact that the government does not allocate some money for CVP analysis, a suitable system for CVP development is not created. I am inclined to believe that following 20 years, CVP can be completely conveyed and actualized in relevant software program.

Dr.Elsavar Ibadov:In fact, managerial accounting differs from financial accounting and other accounting, as there is no legitimate requirement. It should not be. For example, I do not need to punish drivers because they do not close the seat belt because they will receive their penalties when an accident occurs. So human is not obligated by state companies should not expect the government to create any system of management accounting. That is, they must apply it for their own future. For example, I am against the government's obligation to comply here because managerial accounting is an accounting policy implemented within the company, not the head of the company should be interested. The leader should understand that moving away from the same and familiar systems requires a new system.

PhD.Tahmasib Huseynov: There are many reasons why a system suitable for the development of CVP in our country is not created. One of them is the weakness of the accounting and finance department of the company. Another reason is that in our country mostly unattended tax records are used. In other words, all expenses, analyzes and other factors are calculated from a taxable point of view. It is not interesting for companies to apply CVP in our country. In other words, monopoly destroys everything. Companies are convinced that monopoly and lack of competitor will sell 100% of their production. In this case, companies will have a initial investment point within the CVP you do not need to calculate

or create system for CVP analysis. Lastly, In truth, I see the biggest problem here in financial literacy and lack of vision.

Associate Professor Agamir Asgarov: Undoubtedly, there is no prerequisite for CVP investigation programming. Since the gatherings are not slanted to focuses for the shared CVP examination. So they consider this to be an extra cost, which is immaterial for them. Likewise, because of the way that the administration does not allot some cash for CVP examination, an appropriate framework for CVP improvement isn't made. I am slanted to trust that following 20-25 years, CVP can be totally passed on and realized in significant programming program.

Teacher Nasimi Nuriyev: Truth be told, there is no requirement for CVP programming. Lately, ERP programming is generally utilized in our nation. Since now organizations need precise bookkeeping and they change to ERP rather than book-passage. I believe that keeping the CVP investigation inside the ERP isn't yet moderate for our nation. In all likelihood, following 2 decade, CVP can be completely sent and executed in ERP.

VIII. What are the advantages and disadvantages of creating an affordable system for calculating and implementing CVP analysis?

Associate Professor Firudin Sultanov: Of course, positive aspects play an important role here. For example, the company will be fully aware of its costs. Then it will be even more convenient to classify the information, which means that the data will be even more accessible through the ERP program. One of the key factors is the ability to analyze the data. For example, by analyzing an account called Total Expenses, spending is roughly the same every month, and it calculates stable costs, depreciation costs, and expense costs. In short, if this is the case, the information will be classified and accessible.

CVP analysis is calculated simultaneously and continuously monitored at certain intervals. So, CVP notifies the company how much production it needs to produce, and helps determine the price. However, these results sometimes do not

reflect the reality. For example, based on the CVP analysis, the price is determined at 5 AZN, but the market price is 4 AZN. At this time, companies must choose 4 AZN.

Teacher Sanan Huseynzada: In my opinion, CVP will only have the benefits of creating an appropriate system for applying and developing the analysis, but it will have benefits. As a matter of fact, a scientific fact will be reflected in practice, and a scientific fact will turn into reality. On the other hand, CVP examination is determined at the same time and constantly checked at specific interims. Along these lines, CVP informs the organization how much creation it needs to deliver, and decides the cost.

Dr.Elsavar Ibadov: In my opinion, if CVP analysis is fully implemented, there will be no adverse effects here. All results will be positive and efficient. Simply sometimes avoid unnecessary calculations because the time and money spent on these calculations can be more valuable than the result. the information we receive should be more and more valuable than the one we took. But, finally, it is completely useful for descent and is a system that plays a major role in making decisions.

PhD.Tahmasib Huseynov: Here, in my opinion, if CVP generates a favorable system for analysis, first of all, it is the formation of a competitive economy. Another advantage is that companies will be able to accurately calculate their costs and costs. For example, there are several rivals in the food industry (Gilan, Azersun), as well as Veyseloglu in other fields. So CVP analysis will play an important role in reviving competition among such companies. In the post-devaluation period, companies are in need of an affordable system for the application of CVP during the period when companies earn profits

Associate Professor Agamir Asgarov: As I would like to think, CVP will just have the advantages of making a fitting framework for applying and building up the examination, however it will have benefits. In actuality, a logical certainty will be reflected practically speaking, and a logical truth will transform into the

real world. Then again, CVP examination is resolved in the meantime and always checked at explicit breaks. Thusly, CVP educates the association how much creation it needs to convey, and chooses the expense.

Teacher Nasimi Nuriyev: Obviously, positive viewpoints assume a significant job here. For instance, the organization will be completely mindful of its expenses. At that point it will be much increasingly helpful to group the data, which implies that the information will be considerably progressively open through the ERP program. One of the key elements is the capacity to examine the information. For instance, by breaking down a record called total costs, spending is generally the equivalent consistently, and it figures stable costs, devaluation expenses, and cost costs. To put it plainly, if so, the data will be ordered and available.

IX. *How effective is the application of CVP analysis for companies to hold more market share?*

Associate Professor Firudin Sultanov: In fact, CVP plays a role in keeping the market share, but it is not right to say the most important factor. Other means of winning the competition are price, quality, advertising, marketing, and benchmark issues.

If the company wants to capture its market share, it must apply all of the listed factors simultaneously. For example, if the company has applied the CVP correctly, but there is a problem with the quality of the product, it is impossible for the company to take the additional market share.

Teacher Sanan Huseynzada: CVP analysis is one of the most effective ways to get more market share. However, this is not the case in our country, because in some cases, monopoly does not attempt to capture market share. So the head of the company knows that there are no other competitors in the market and fewer than 1-2 competitors and monopolized, the CVP does not try to capture additional market share through analytics. However, in European countries, natural companies use CVP analysis to capture additional market share.

Dr.Elsavar Ibadov: CVP analysis plays an important role in the company's supplementary market share. This can usually be seen in artificial monopolies. For example, large companies sell products at a very cheap price, from outside to produce crops and other small companies. At that time, the products produced by other companies are not sold. The company is profitable for several times when it comes to BEP2 (Break Even Point 2). However, once the competitors are over, the company sets the new and the desired price. At this time, through the CVP's predetermined calculation, in this case, CVP analysis is an undeniable factor in keeping an additional market share by calculating the BEP (Break Even Point) point.

PhD.Tahmasib Huseynov: Here, when analyzing CVP analysis, the company identifies the point where it will maximize product output to the market and the cost it should pay for it. This can usually be seen in artificial monopolies. For example, large companies sell products at a very discounted price, from outside to produce crops and other small companies. At that time, the products produced by other companies are not sold. If the company enters the market at a price that meets human needs, then it will disrupt its competitors.

However, it would not be efficient if a particular company uses the method of reducing the price of the opponent. Because he was a monopolist for many years, and he needed plenty of time to calculate CVP analysis. In addition, his gaps in his reports will not allow him to compete with his rival.

Associate Professor Agamir Asgarov: CVP examination is a standout amongst the best approaches to get more piece of the overall industry. Be that as it may, this isn't the situation in our nation, on the grounds that now and again, imposing business model does not endeavor to catch piece of the pie. So the leader of the organization realizes that there are no different rivals in the market, the CVP does not endeavor to catch extra piece of the overall industry through investigation. Be that as it may, in European nations, common organizations use CVP examination to catch extra piece of the overall industry.

Teacher Nasimi Nuriyev: CVP investigation assumes a significant job in the organization's valuable piece of the pie. This can ordinarily be seen in counterfeit imposing business models. For instance, huge organizations sell items at a shabby cost, from outside to deliver crops and other little organizations. Around then, the items created by different organizations are not sold. The organization is beneficial for a few times. However, when the contenders are finished, the organization sets the new and the ideal cost. As of now, through the CVP's foreordained estimation, for this situation, CVP examination is an irrefutable factor in keeping an extra piece of the overall industry by ascertaining the Break Even Point.

X. How will the widest use and application of CVP analysis help entrepreneurs?

Associate Professor Firudin Sultanov: Firstly, CVP gives the company the opportunity to analyze the company well. Then, it enables the product to measure its profitability. The proprietor allows you to find out where your loss is damaged and which product is damaged through CVP. Additionally, CVP analysis allows the entrepreneur to solve this problem.

Teacher Sanan Huseynzada: The use of CVP analysis, more precisely, calculating the initial investment point will help entrepreneurs to maximize profitability. This will encourage them to implement the CVP analysis continuously. Additionally, CVP offers the organization the chance to investigate the organization well. At that point, it empowers the item to gauge its productivity.

Dr.Elsavar Ibadov:I am inclined to believe that managerial accounting and CVP analysis within it help entrepreneurs make a decision. That is, it provides a database for making the right decisions. Here, the accountants provide the most accurate and straightforward information for the manager to make the optimal decisions and present the situation. Then everything depends on the manager's decision. If he does not consider the management accounting statistics it does not depend on the accountant anymore. In general, if entrepreneurs accept the results

of management accounting, their decision will be much easier.

PhD.Tahmasib Huseynov: The implementation of the CVP will help entrepreneurs directly in the decision making process. In addition, it will help to gain more market share and strengthen its position in the market. Thus, a full business environment will be formed in our country. Afterwards, the entrepreneur will tend to remain on the market for a long time and will continuously use CVP analysis.

Associate Professor Agamir Asgarov: The utilization of CVP investigation, all the more decisively, ascertaining the initial investment point will assist business people with maximizing benefit. This will urge them to execute the CVP examination constantly. Moreover, CVP offers the association the opportunity to examine the association well. By then, it engages the thing to measure its efficiency.

Teacher Nasimi Nuriyev: From my own perspective, to trust that administrative bookkeeping and CVP investigation inside it help business people settle on a choice. That is, it gives a database to settling on the correct choices.

Conclusion and suggestions

The bookkeeper's model of the expense-quantity-benefit investigation which looks at the connection between changes in action (yield) and changes in all out deals income, costs and net benefit gives supervisors a down to earth reason for basic leadership as it profits them with data which helps with giving responses to questions identifying with the outcomes of following specific game-plans. The CVP is a veritable apparatus for income arranging, cost arranging and benefit arranging, for example, deciding the effect of selling costs, expenses and amount on benefits and a theoretical instrument or perspective about dealing with an organization. It enables the board to concentrate on the destinations of acquiring the most ideal mix of costs, volume, variable expenses and stable expenses. Favorable position of the CVP model is its effortlessness. Nonetheless, the cost of such effortlessness is a lot of constraining suppositions that outcome in some

loss of authenticity with a standout amongst the most disturbing being the utilization of a solitary cost driver. At the point when CVP investigation is connected to a various item organization, it is expected that there is a steady deals blend of items as the all out amount of units sold changes. In addition, it ought to be noticed that the model just fill in as a valuable guide in transient basic leadership and its application is liable to various prohibitive assumptions. For occasion the model is planned to foresee CVP conduct just inside the significant range, where a firm is probably going to work on steady comes back to scale.

Consequently, we prescribe that at whatever point suppositions are made, it is fitting to perform affectability examination to decide if or potentially how the assumption influence choice. Also, activity-based costing can be utilized to fix the straightforwardness in the suspicions of the customary CVP investigation. At long last, perceiving the presence of numerous or a few cost drivers and afterward joining this into the condition definition of the model, increasingly sensible outcomes can be acquired. Furthermore, we also investigated the CVP case we used in diploma work. So, in third part of our work, we examined the situation in Azerbaijan. We previously made a survey and imparted it to the bookkeepers, however when we were in contact with the poll we saw that there were some difficult issues with the CVP application. For instance, we saw numerous individuals who did not put stock in CVP investigation. Furthermore, it very well may be seen from a bookkeeper who says that the CVP's impediments are incapable and that CVP is hard for the restrictions. In view of the outcomes we thought of, we can say that the utilization of CVP examination in Azerbaijan is extremely thin. Truth be told, my objective was to examine the reason, yet we was compelled to do as such as a result of the way that we couldn't ask the bookkeepers for what valid reason we rejected the review. In this way, in the wake of declining the overview, we chose to get master feelings. Every one of our specialists is occupied with scholastic and research exercises around there.

As for the findings we have made and the findings we have obtained, the

expert opinions here play a very important role. Our findings about CVP analysis, their causes and solutions:

- ✓ In general, in Azerbaijan, we think that managerial accounting is not good at including CVP analysis. The reason for this is that our country's accounting system is based on tax domination.
- ✓ There is a serious financial illiteracy in this area in our country and this is the main reason why CVP is not available. Also, monopoly destroys everything. Companies are convinced that monopoly and lack of competitor will sell 100% of their production.
- ✓ The first failure in implementing the CVP is financial illiteracy. The second problem is the shortage of personnel. There is a lack of managerial accounting in Azerbaijan.
- ✓ To eliminate shortcomings, the system must be changed first. So the monopoly should be abolished and the competitive market should be created. The companies must be fully free. The first attempt is to disseminate anti-monopoly.
- ✓ In fact, managerial accounting differs from financial records and other records, as there is no legitimate requirement. It should not be.
- ✓ If CVP analysis is fully implemented, there will be no adverse effects here. All results will be positive and efficient.
- ✓ CVP analysis is one of the most effective ways to get more market share. However, this is not the case in our country, because in some cases, monopoly does not attempt to capture market share.
- ✓ The use of CVP analysis, more precisely, calculating the initial investment point will help entrepreneurs to maximize profitability and CVP analysis within it help entrepreneurs make a decision

As a matter of fact, the purpose of using the survey is to find the difference between the theory and the reality, but the purpose of using expert opinions is to learn the causes and solutions of the reality. We use of this is because we believe that using my opinion expert opinion will be more effective than the questionnaire

we did it.

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