# Therefore, cvp is an important marketing tool, which should be implemented for ap...

Business, Marketing

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## Abstract

Cost-volume-profit (CVP) analysis helps to estimate many relevant aspects regarding operating profit. It can be used in cases when the needed amount of the product for sale the future period must be calculated. In the current work such problems as price and quantity management with maintaining the original contribution share. Meanwhile, the most frequently CVP analysis is used for evaluation the break-even point in units and dollars, the amount at which all costs will be covered and net profit will be equal to zero. At the same time, it’s possible to provide the future estimation of new launched products, their amounts and needed level of sales.

1. A)Rash-Away:

Contribution Margin= P-VCP=$2. 00-$1. 40$2. 00= 30%

Absolute Increase in Unit Sales= Increase in FCUnit Contribution=$150, 0000. 6= 250, 000

Absolute Increase in Dollar Sales= Increase in FCContribution Margin=$150, 0000. 3=$500, 000

## Red-Away:

Contribution Margin= P-VCP=$1. 00-$0. 25$1. 00= 75%

Absolute Increase in Unit Sales= Increase in FCUnit Contribution=$150,

0000. 75= 200, 000

Absolute Increase in Dollar Sales= Increase in FCContribution Margin=$150,

000$0. 75=$200, 000

B) Rash-Away: 30% Contribution Margin=>$1. 00 incremental advertising

(marginal cost – each additional unit)

Sales= $1. 000. 3=$3. 33

(-)Variable costs 70%=$2. 33

Contribution Margin 30% = $1. 00

(-)Fixed Cost Increase = $1. 00

Profit = 0

Red-Away: 0. 75% Contribution Margin=>$1. 00 incremental advertising

Sales= $1. 000. 75=$1. 33

(-)Variable costs 25%=$0. 33

Contribution Margin 75% = $1. 00

(-)Fixed Cost Increase = $1. 00

Profit = 0

c) Rash-Away

Current Contribution in dollars = 1, 000, 000×0. 6= 600, 000

New Contribution = $0. 4$1. 8= 22. 22%

Absolute increase in Unit Sales: 1, 500, 000-1, 000, 000= 500, 000

0. 2222×Dollar Sales= 600, 000=> Dollar Sales= 2, 700, 000

Absolute Increase in Dollar Sales: 2, 700, 000-2, 000, 000= 700, 000

## Red-Away

Current Contribution in dollars = 1, 500, 000×0. 75= 1, 125, 000

New Contribution = $0. 65$0. 9= 72. 22%

Absolute increase in Unit Sales: $1, 730, 769-$1, 500, 000= 230, 769

0. 7222×Dollar Sales=$1, 125, 000=> Dollar Sales=$1, 557, 740

Absolute Increase in Dollar Sales: $1, 557, 740-$1, 500, 000=$57, 740

2)a)

b)

c) Fixed costs=$90, 000(Overhead) +$250, 000(Advertising)=$340, 000

Break-Even Unit Volume=$340, 000$0. 08= 4, 250, 000

d) Total Market Size = 21 million

Market Share= 65%=> 21*0. 65= 13. 65 million

## First-year break-even share-of-market:

BE Unit VolumeMarket Share= 4, 250, 00013, 650, 000= 31%

3. a)VC=$1. 25(CD Package & disc)+$0. 35(Songwriters' royalties)+$1.

00(Recording artists' royalties)=$2. 6

Contribution per unit = P-VC=$9. 00-$2. 60=$6. 40

b) Fixed Costs=$275, 000(Advertising) +$215, 000(overhead)=$490, 000

BE Volume in CD units= Fixed costsContribution=$490, 000$6. 40= 76, 562

Contribution Margin= P-VCP=$9. 00-$2. 60$9. 00= 71. 1%

BE Volume in dollars= Fixed costsContribution Margin=$490, 0000. 711=

689, 170

c)

d) Number of units sold to achieve a $200, 000 profit=

Fixed Cost+$200, 000Contribution per unit=$490, 000+$200, 000$6. 40= 107, 812

4. 30% of DC6900-X sales are taken from DC6900-Omega (0. 3×500, 000= 150, 000 units)

20% of DC6900-X sales are taken from DC6900-Alpha (0. 2*500, 000= 100, 000 units)