KEY LEARNING OBJECTIVES - CHAPTER 3

Cost-Volume-Profit Analysis

After studying and discussing the material in this chapter, the student should develop some insights and understanding of the following issues:

1. The basic relationships that generally prevail between costs, volume levels, and profits

2. How to use these C-V-P relationships to determine breakeven points in both units sold and revenue dollars

3. How to use these C-V-P relationships to determine the number of units which must be sold or the total revenue dollars which must be generated to achieve a specified targeted profit level

4. How to use these C-V-P relationships to determine the safety margin in both units and sales dollars.

5. How to use these C-V-P relationships to determine a company’s operating leverage.

6. How to use C-V-P analysis in a multiple-product situation

7. How to perform sensitivity analysis so that the impact of changing variables can be considered

Note: The graphical presentation and analysis of C-V-P relationships, which are presented in this chapter, will not be covered in this course.