Welcome students in today's

class we will try to comprehend

on the concept of profit value,

analyzes meaning chart and assumption

of Unit 2 profit analysis model

number 15 I'm stricken Mother

assistant professor in economics with

their Vickers models Shrida mother.

College of Commerce and economics.

Margo and go up the flow of the

flow of this outline as follows,

meaning of profit.

Volume analyzes break even chart

for profit volume analysis.

Assumptions of profit volume analysis.

After successful completion of this, a model,

you're able to explain the meaning of profit,

volume analysis.

You're able to draw break even

chart for profit, volume analysis,

and you're also able to understand the

assumption of profit value analysis.

Meaning of profit volume analyzers.

Profit volume analyses,

which is also known as cost, volume.

Profit analyzers.

Profit volume analysis depicts the

relationship between contribution

and sales of this sector,

usually expressed in percentage form.

Profit volume analysis indicates the

contribution for a rupee of a sale.

It is used to measure the profitability.

Of each product or a group of products.

It is also used to measure

The profitability of each.

Production sector operation or.

Processes.

Profit volume analysis is also.

used to determine the break

Even analysis for the sector.

It is also used to calculate.

It is also used to calculate the

rate of change in profit due to

change in the volume of the sales

According to palmetta profit.

Volume analysis is the result of

the attempts to apply the break

even analysis to a situations of

multi product firms where breaking

charts are constructed separately

for the different divisions.

Or the products of the firm.

The individual division,

department or the product is called a sector.

There are basic terminology that

I used in profit volume analysis.

These are profit, volume,

income, profit, volume ratio,

an specific program that

cost the profit volume,

income,

which is the differences between

the sale proceeds that is denoted

as SP and the variable cost of the

sector that is denoted as we see.

The next basic terminology

is profit volume ratio.

It is the value of profit volume

income divided by the unit

price of the sector and the last

terminology is specific program.

The cost,

which is the cost incurred on

production of goods and services

as well as promotional costs.

Moving on to the next subtopic,

constructions of profit graph.

There are different methods or steps

that need to be followed while

we prepare a profit graph step.

One profit contribution equation

must be prepared by finding TR that

is total revenue TC that is total

cost and specific program cost.

Step 2 considering the X axis

as a null contribution line,

which is which is the sales line.

Step 3 draw the Prophet volume line

beginning from a null output or sales level.

Step four vertical distance between

profit volume line and the zero

contribution line depicts the profit

contribution to the sector at different

levels of sales step five before the break.

Even point.

The sales are too low to make

profits while beyond break even

point the sector makes profits.

Now let us try to.

Understand the profit graph with a

numerical example for a single product.

From the following data.

Now let us try to prepare

a profit volume graph.

We have the data for a total fixed

cost is 25,000 variable cost is 70,000.

Average variable cost is 7 per unit.

Unit produce that is 10,000 selling

price one Lac. Rupees 10 per unit?

With this given information first,

before we try to plot the profit graph,

first we need to find out the amount

of the profit that the sector earns.

Before we find the profit,

first we need to find out

the total contribution.

The total contribution can be found

out by taking the differences between

total sales and total variable cost.

The total sales, which is which

is already given in the question,

that is one Lac and the total

variable cost is 70,000.

So the difference between these two value we

get the 30,000 as a total contribution value.

With this total contribution value.

Now it is very easy to find the

profit the profit can be found out by

taking the differences between total

contribution and total fixed cost.

Here the total contribution we

already found as 30,000 and the

total fixed cost is 25,000.

So the difference between these two

values we get the profit as 5000.

After calculating the profit.

Now the next step is to calculate

the break even.

Point sales in terms of a money by

applying a formula that is TFC divided

by 1 minus in a bracket AVC divided

by P where TFC is total fixed cost.

Where AVC is average variable cost,

P is price students.

We have the values of all of these that is

TFC that is 25,000 ABC 7 and the P is 10.

So we substitute the values in

the form in the formula that is

25,000 / 1 in a bracket,

7 / 1025 thousand divided

by one that is 1 -- 0.7.

So we got 0.7 by taking the average

variable cost divided by price 7 / 10,

we get seven point 0.7. 25,000 / 0.3.

We got this value by taking.

The difference is between 1 -- 0.7.

So when we divide this total

fixed cost and the value that we

got that is 0.3 we get the break

one point sales as eighty 3333.

So now let us plot in this graph.

On the horizontal axis,

we measure sales in 1000.

On the vertical axis we have

the profit and the other side.

We have a fixed costs which

are again measured in 1000.

So firstly we need to draw this sales

line in a such a way that it should

be in a middle portion of the graph

where upper side of the sales line

should be profit where the below

side of the sales line should be the

fixed cost or a specific program,

the cost so we can scale up.

I've scaled here as further data that is.

Available to me.

So I've taken a sales value as 25,

fifty, 75 and 100 students.

One one thing you need to note is that

here all the values are measured in 1000.

So since here the expected

sales is 1 like so,

I've taken the values up to one leg,

so the profits that we have

calculated by applying the formula

we got as a 5000 and the fixed cost,

we already know that that is 25,000.

So when you when you plot

this profit contribution,

you need to mark the fixed the amount of

fixed cost on the on the below side of the.

Sales line that that is in FC in thousand.

OK, so the break even point

sales is 83 point eighty 3333.

This is our break even point and beyond

this break even point the sector earns

the profit below this break even point

the sector runs the loss so this the

highlighted black line is nothing.

It is the profit contributions

of that particular. Set up.

Assumptions of profit volume analysis.

There are certain assumptions

need to be kept in mind while we

analyze the profit volume one is,

it is possible to ascertain

fixed and variable costs.

Second fixed and variable cost of the

sector remains constant and the third

is price of the sector remain constant.

For this sales mix is given.

Fifth one is efficiency of the sector

also remains constant and the loss

assumptions or profit volume analyzes.

Is that the corporate policies

of the company do not change.

So these are my references for

further studies. Thank you student.