Numerical of Profit/Volume Ratio

How to calculate contribution

Total Contribution:

Contribution = Sales – Variable Cost   *Or*   C= S – V

Contribution = Fixed Cost + Profit / (- Loss)

Contribution = Sales x P/V Ratio

Per Unit Contribution:

Contribution per Unit = Sales per Unit – Variable Cost per Unit

Q.1 Calculate "per unit" and "total contribution":

Sales(in ₹)   40,000

Sales (in units)   4,000

Variable Cost (in ₹)   30,000

Solution:

Contribution = Sales – Variable Cost

= 40,000 – 30,000 = ₹ 10,000

Contribution per Unit = Sales per Unit – Variable Cost per Unit

$$= \frac{40,000}{4,000} - \frac{30,000}{4,000}$$

Cont….

$$= \frac{40,000}{4,000} - \frac{30,000}{4,000}$$

$$= 10 - 7.5$$

$$= ₹ \ 2.5 \text{ per unit}$$

Q.2 Calculate Contribution from the following data:

a) Sales ₹ 1,50,000, P/V ratio = 40%

b) Fixed Cost ₹ 40,000, Profit ₹ 30,000

c) Fixed Cost ₹ 50,000, Loss ₹ 20,000

Solution:

a) Contribution = Sales x P/V Ratio

= 1,50,000 x $\dfrac{40}{100}$

= ₹ 60,000

b) Contribution = Fixed Cost + Profit

   = 40,000 + 30,000

   = ₹ 70,000

c) Contribution = Fixed Cost – Loss

   = 50,000 – 20,000

   = ₹ 30,000

To do activity

1 Calculate Contribution from the following data:

a. Selling price per unit ₹ 10, variable cost per unit ₹ 7.

b. Sales ₹ 4,00,000, P/V ratio 40%

c. Fixed Cost ₹ 40,000, Profit ₹ 80,000

d. Fixed Cost ₹ 60,000, Loss ₹ 10,000

[Ans. a. ₹ 3 per unit, b. ₹ 1,60,000, c. ₹ 1,20,000, d. ₹ 50,000]

Thank You