



## Strategic Cost Management for Every Manager CVP & Relevant Costing

### Objectives

To review the concepts and practice the techniques of two powerful short-term decision making approaches, CVP analysis and Relevant Costing, that allow the participants to explore the impact of certain decisions on short-term profitability. Short term decisions involve special order, make/buy and keeping/dropping products decisions.

### Course Contents

Although each of the approaches is a useful starting point for analyzing the effect of certain decisions on short-term profit, they are only as good as the underlying assumptions, which tend to ignore a variety of strategic and qualitative factors that are also important to consider in making good long-term decisions.

1. **Cost-Volume-Profit (CVP)** analysis focuses on the relationships among costs (which are categorized as either fixed or variable), volume (or the quantity of units sold), and how changes in either of these variables will affect profit. CVP includes break-even analysis and target profit analysis.
2. **Relevant Costing** is a framework where managers compare two decision alternatives (e.g. "make or buy" and "keep or drop" decisions) to determine the differential effect on revenues, cost, and short-term profit. The idea behind relevant costing is to try to identify only those costs (or revenues) that will change as a result of a specific decision.



### Course Outlines

1. Basic Concepts of Break-Even Analysis.
2. Target Profit Analysis.
3. The Limitations of Cost-Volume-Profit Analysis.
4. Break-Even Analysis with Semi-Fixed Costs.
5. Cost-Volume-Profit to Multi-Product Scenarios.
6. Relevant vs. Irrelevant Cost.
7. Special Order Decisions.
8. Make or Buy Decisions.
9. Keeping or Dropping Products Decisions.

### Designed For

Managers and professionals who are responsible in making certain decisions based on costs affecting company profitability.