ACC 156: Managerial Accounting

Learning Unit 4: Handout

Formulas for CVP Analysis

Contribution Margin = Selling Price-Variable Expense per unit

Breakeven Point in Units = Fixed Expenses/Contribution Margin Per Unit

Breakeven Point in Dollars = Breakeven Point in Units X Selling Price

Or

Calculate the **Contribution Margin Ratio** = Unit Contribution Margin / Selling Price and plug that answer into the formula:

Breakeven Point in Dollars = Fixed Expenses/Contribution Margin Ratio

Units to Reach a Target Profit = (Fixed Expenses + Target Profit) / Contribution Margin

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