



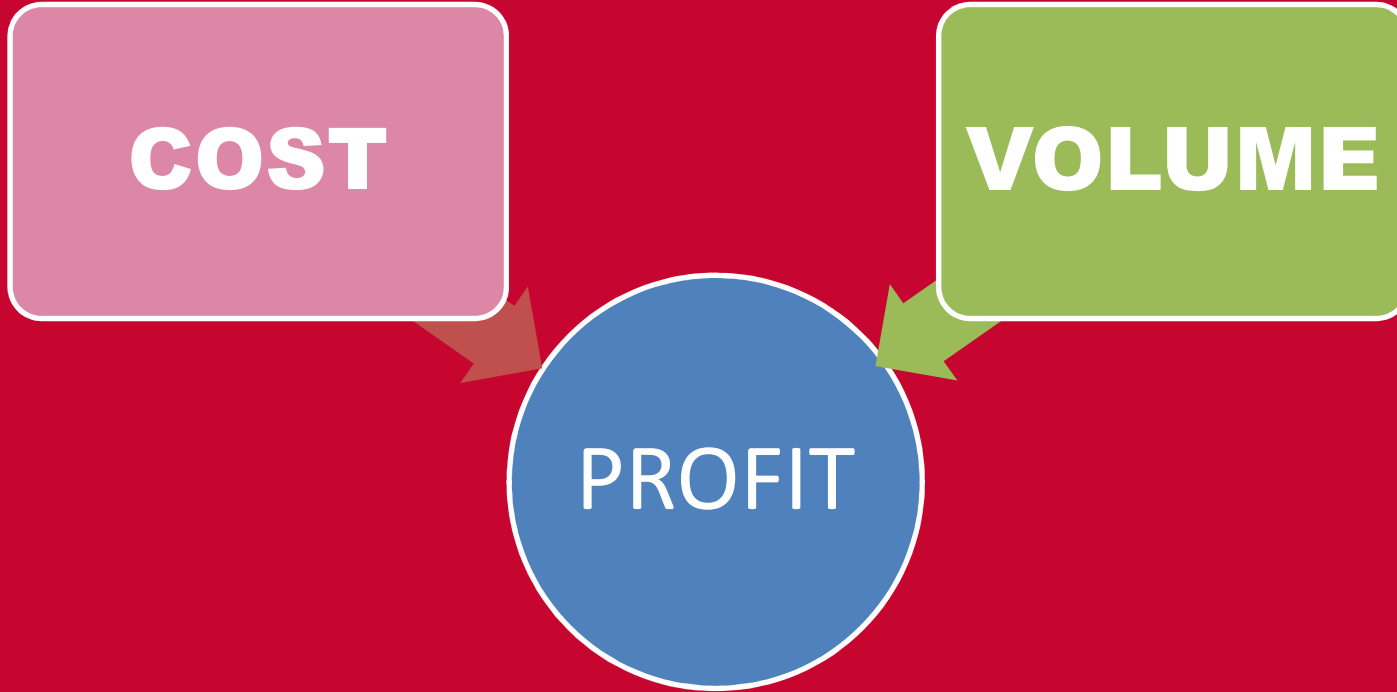
CVP ANALYSIS



COST

VOLUME

PROFIT





COST

Cost of Production

Variable Cost

Fixed Cost

VOLUME

Volume of Production & Sales

PROFIT





COST

Cost of Production

Variable Cost

Fixed Cost

VOLUME

Volume of Production & Sales

Q, P, Sales Mix

PROFIT

Single Product → $Q \times P$

Multiple Products →

P1: $Q.P1 \times P.P1$

P2: $Q.P2 \times P.P2$

P3: $Q.P3 \times P.P3$

Sales Mix

ASSUMPTIONS

- Prediction of Cost/expenses at different levels of production can be possible
- Total costs can be classified into fixed costs and variable costs
- The behaviours of total revenues and total costs are linear
- There will be no unsold stock
- Sales Price, Variable Price per unit, Total Fixed expenses within the relevant time period are known and constant
- Capacity, level of skill, operational efficiency will remain unchanged



Deals with:


- Behaviour of Fixed Cost and Variable Costs with respect to volume
- Volume of production & sales at break-even level
- Corresponding responses to variations in output
- Determination of profit at a desired level of sales
- Determination of necessary production and sales to earn a pre-determined/desired profit





PROFIT = SALES – TOTAL COST	
PROFIT = SALES – TOTAL VARIABLE COST – TOTAL FIXED COST	
SALES	**
(-) VARIABLE COST	**
CONTRIBUTION	**
(-) FIXED COST	**
PROFIT/LOSS	**

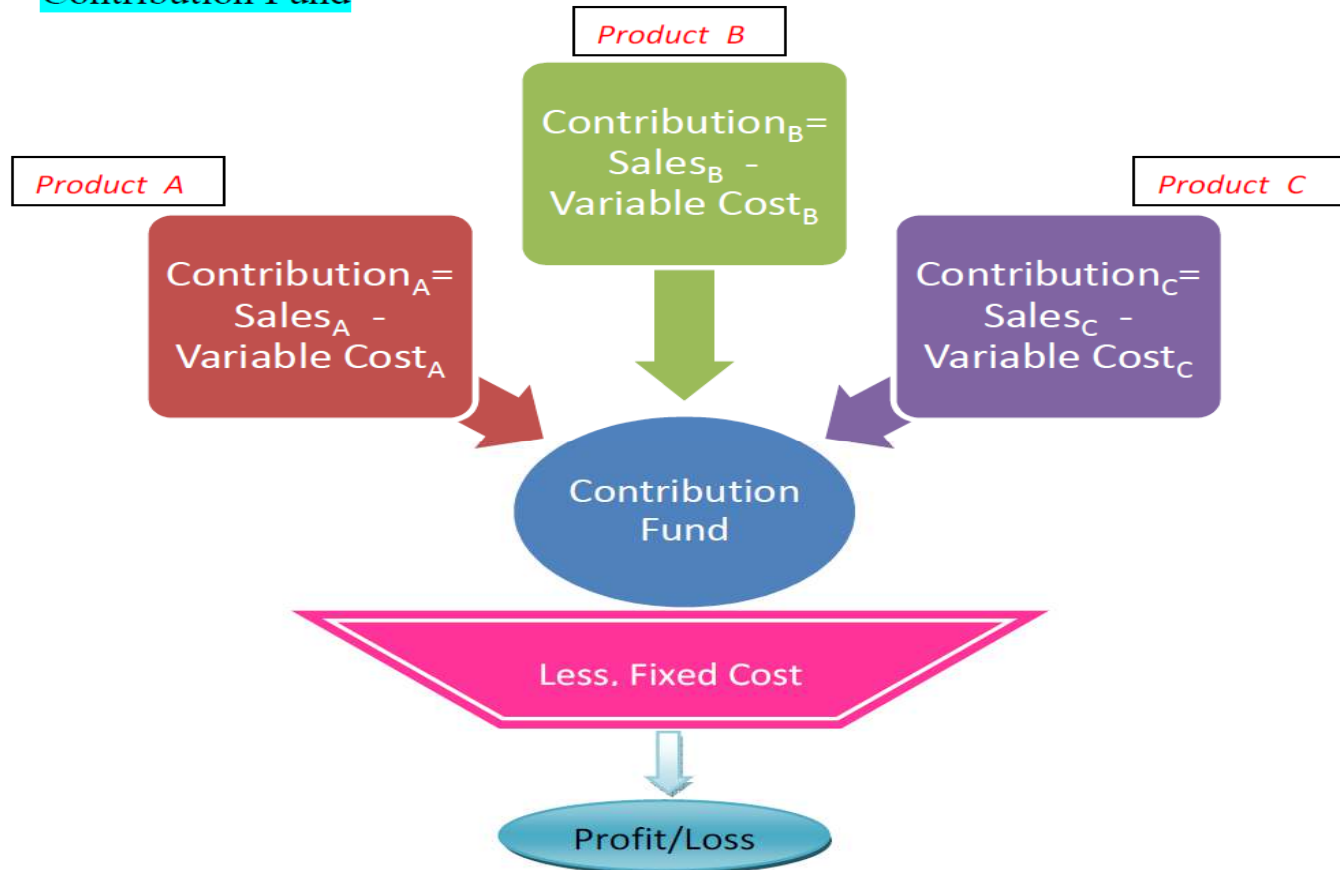




i) Contribution - It is the excess of sales over variable costs. It is the amount that an organisation can get after covering variable cost from sales value i.e. the amount to cover fixed cost and to earn profit if possible.

Contribution = Sales - Variable Cost = Fixed Cost + Profit = Fixed Cost - Loss.

Contribution Fund





ii) Contribution per unit = Selling Price - Variable Cost per unit

Or

Contribution per unit = $\frac{\text{Change in Profit}}{\text{Change in Sales Quantity}}$



iii) Profit/Volume Ratio(P/V Ratio)= this indicates the relation of contribution to sales.


P/V ratio= Contribution/Sales *x 100 if expressed in percentage*
= (Sales-Variable Cost)/Sales = (Fixed Cost + Profit)/Sales

Or

P/V ratio= change in profit / change in sales value [if unit selling price, unit variable cost, total fixed cost remain constant]

Or

P/V ratio= change in contribution/change in sales [if unit selling price, unit variable cost remain constant]



iv) Break even point(BEP): It indicates a level of activity i.e. sales or production at which there is neither any profit nor any loss. The firms' total sales value is equal to total cost. Mathematically, we can calculate break even point as follow-

- **BEP(in value)** = Fixed cost/P/V ratio
- **BEP(in quantity)** = Fixed cost/ contribution per unit

At this point, Contribution = Sales - Variable Cost = Fixed Costs (Since Profit=0)



v) Margin of Safety(M/S): It indicates the level of safety at a particular point of activity. If a firm operates at break even point then it has no amount of safety because even the production or sales decreases by one unit then it will suffer loss. The greater the amount of present activity the greater the amount of safety it has or vice-versa.

- **M/S** = Profit /P/V ratio Or Present sales - Sales at break even point
- **M/S Ratio** = Margin of Safety/Sales x 100



vi) Angle of incidence: It indicates the angle that is formed between two lines in a break even chart. The two lines are total sales line and total cost line. It can be better depicted in a break even chart.



vii) Sales for earning desired profit:

- Sales value = $\frac{\text{Fixed Cost} + \text{Desired Profit}}{\text{PV Ratio}}$
- Sales quantity = $\frac{\text{Fixed Cost} + \text{Desired Profit}}{\text{Contribution per unit}}$



Example 1

**If Sales Rs.5,00,000, P/V
Ratio 50%, F.C.
Rs.1,00,000**

Calculate:

- (1) Variable Cost**
- (2) Profit**
- (3) Contribution**

- **Contribution = Sales x P/V
Ratio= 500000x50%= Rs.
250000**
- **Variable Cost=Sales-
Contribution =500000-
250000=Rs. 250000**
- **Profit=C-FC =250000- 100000=
Rs.150000**



Example 2

Calculate BEP in value and BEP in units from the following data:

Sales = 10,000 units @ Rs.10 each; Variable Cost = Rs.60,000; Fixed Cost = Rs.10,000

• Sales=10000x10=
Rs.100000

Contribution=100000-60000 =Rs.
40000 → p.u = Rs. 4

P/V Ratio= 40000/100000 x100=40%

BES= FC/P.V Ratio= Rs. 25000

BEP (units)= 25000/10=2500 units

BEP(units)=FC/Contribution p.u=
10000/4= 2500 units

Effect of Changes in Cost, Volume and Sales on P/V Ratio, BEP and M/S:

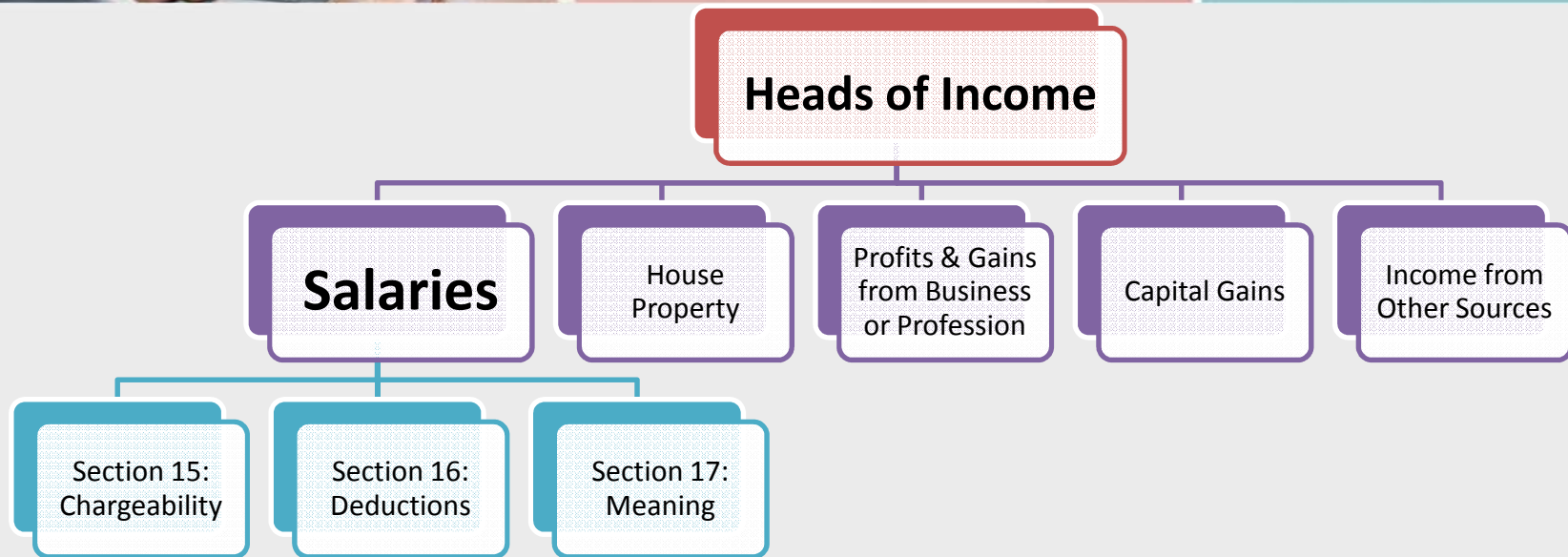
		P/V RATIO	BEP	M/S
Changes in Selling Price	Increase	↑	←	↑
	Decrease	↓	→	↓
Changes in Sales Volume	Increase	-----	---	↑
	Decrease	-----	---	↓
Changes in Variable Cost	Increase	↓	→	↓
	Decrease	↑	←	↑
Changes in Fixed Cost	Increase	-----	→	↓
	Decrease	-----	←	↑



THANK YOU



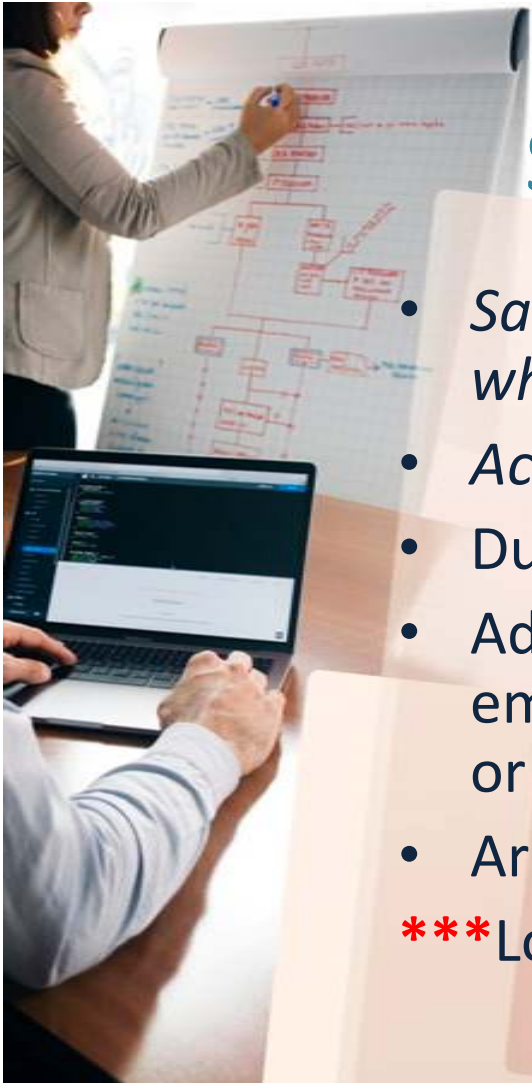
INCOME FROM SALARIES





Pre-conditions

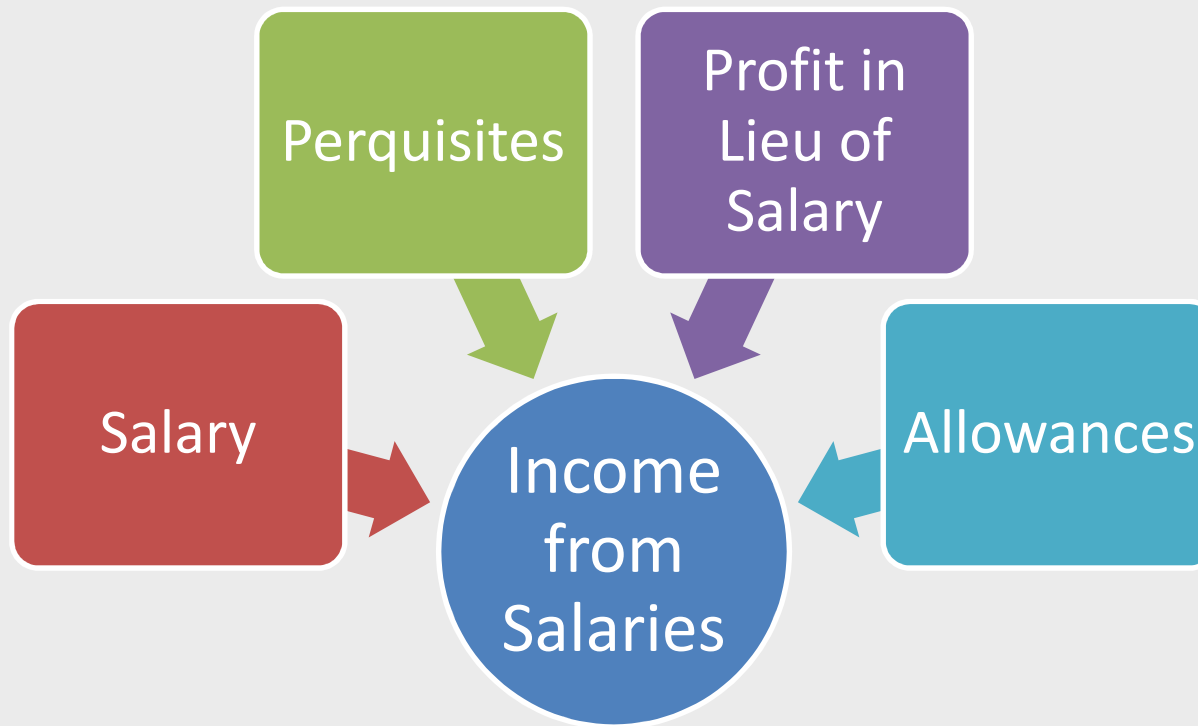
- **Employee-Employer relationship**
- **Full-time or part-time employment**
- **Foregoing of salary**
- **Surrender of salary**
- **Tax-free Salary**
- **Place of Accrual**



Section 15: Basis of Chargeability

- *Salary is taxable on “due” or “receipt” basis whichever is earlier*
 - *Accounting method of the employee not relevant*
 - Due
 - Advance: taxable when it is received by the employee irrespective of the fact whether it is due or not.
 - Arrear: taxable in current year, if not taxed earlier
- *** Loan/Advance against Salary

Section 17: Meaning & Definition





Section 17 (1)

Salary includes—

- (i) Wages ;
- (ii) Annuity or pension ;
- (iii) Gratuity ;
- (iv) Fees, commissions, perquisites or profits in lieu of or in addition to any salary or wages ;
- (v) any Advance of salary;
- (vi) any payment received in respect of any period of leave not availed by him i.e. leave salary or leave encashment
- (vii) **Provident Fund:**
 - the portion of the annual accretion in any previous year to the balance at the credit of an employee participating in a recognised provident fund to the extent it is taxable and
 - transferred balance in recognized provident fund to the extent it is taxable,
- (viii) contribution made by the Central Government or any other employer in the previous year to the account of an employee under a pension scheme referred to in section 80CCD.

Allowances

FULLY TAXABLE	PARTLY TAXABLE	FULLY EXEMPT
<ul style="list-style-type: none">(i) Entertainment Allowance ***(ii) Dearness Allowance(iii) Overtime Allowance(iv) Fixed Medical Allowance(v) City Compensatory Allowance (to meet increased cost of living in cities)(vi) Interim Allowance(vii) Servant Allowance(viii) Project Allowance(ix) Tiffin/Lunch/Dinner Allowance(x) Any other cash allowance(xi) Warden Allowance(xii) Non-practicing Allowance(xiii) Transport allowance to employee other than blind/ deaf and dumb/ orthopedically handicapped employee ***	<ul style="list-style-type: none">(i) House Rent Allowance(ii) Special Allowances [u/s 10(14)]	<ul style="list-style-type: none">(i) Allowances to High Court Judges(ii) Allowance paid by the United Nations Organization(iii) Compensatory Allowance received by a judge(iv) Sumptuary allowance granted to High Court or Supreme Court Judges(v) Allowance granted to Government employees outside India.



House Rent Allowance

Exempt to the extent of least of the following:

Metro Cities	Other Cities
1) HRA actually received for the relevant period 2) Rent paid (-) 10% of salary for the relevant period 3) 50% of salary for the relevant period	1) HRA actually received for the relevant period 2) Rent paid (-) 10% of salary for the relevant period 3) 40% of salary for the relevant period

- **Metro Cities:** Delhi, Kolkata, Mumbai, Chennai
- **Salary** = Basic + DA (if forming part of retirement benefits) + Commission (fixed percentage of turnover)
- Exemption **not available** if lives in own house/ in a house for which no expenditure on is incurred
- **Relevant period:** period during which the said accommodation was occupied by the assessee during the previous year.



Special Allowances exempt to the extent of **Amount Spent** [Section 10(14)(i)]

No Upper limit

Amount received should be **fully utilized** for the purpose for which it was given to the assessee i.e. to meet expenses incurred wholly, necessarily and exclusively in the performance of **official duties**

- Allowance granted to meet the cost of travel on tour or on transfer
- Daily Allowance
- Conveyance Allowance
- Helper Allowance
- Research Allowance
- Uniform Allowance

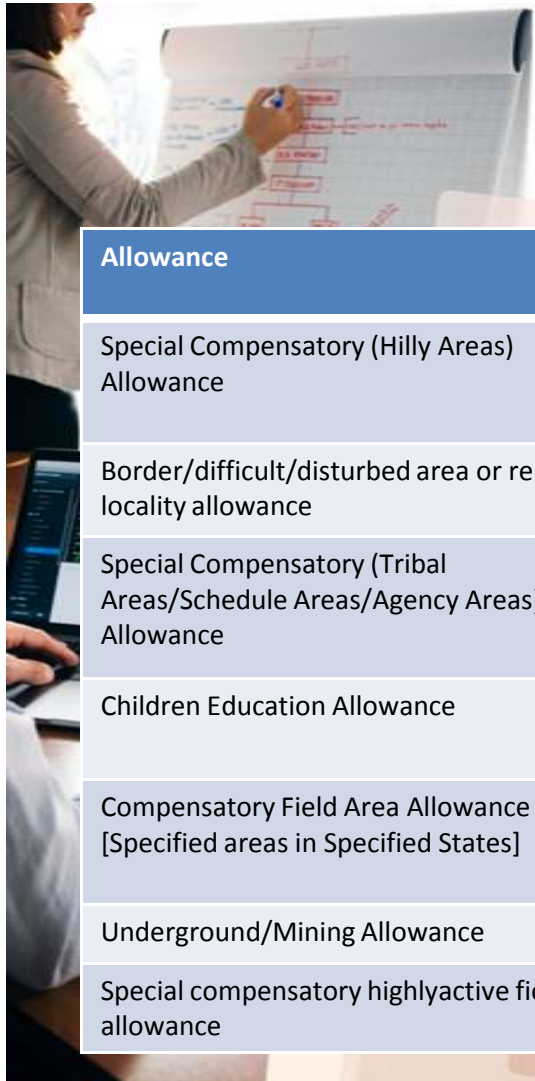


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Special Allowances exempt to the extent of **Amount Specified**

Allowance	Maximum Exempted Amount	Allowance	Maximum Exempted Amount
Special Compensatory (Hilly Areas) Allowance	₹800 / ₹ 300 p.m ₹ 7000 p.m (Siachen area of J&K)	Transport allowance blind/ deaf and dumb/ orthopedically handicapped employees	₹ 3200 p.m
Border/difficult/disturbed area or remote locality allowance	₹1,300 / ₹ 1,100 / ₹ 1,050 / ₹750 / ₹ 300 / ₹ 200 p.m	Running Allowance	70% of allowance upto max ₹10000 p.m
Special Compensatory (Tribal Areas/Schedule Areas/Agency Areas) Allowance	₹ 200 p.m	High Altitude Allowance For altitude of 9,000 to 15,000 feet For above 15,000 feet	₹ 1060 p.m ₹ 1600 p.m
Children Education Allowance	₹100 p.m per child upto a max 2 children	Children Hostel Expenditure Allowance	₹300 p.m per child upto a max 2 children
Compensatory Field Area Allowance [Specified areas in Specified States]	₹ 2600 p.m	Compensatory Modified Field Area Allowance [Specified areas in Specified States]	₹ 1000 p.m
Underground/Mining Allowance	₹ 800 p.m	Counter insurgency allowance	₹ 3900 p.m
Special compensatory highlyactive field area allowance	₹ 4200 p.m	Island (duty) allowance	₹ 3250 p.m

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Provident Fund

	RPF	UPF	SPF	PPF
Employer's Contribution (1)	Taxable in excess of 12% of Salary***	Not Taxable at the time of contribution	Fully Exempt	N.A
Employee's Contribution (2)	Eligible for Deduction U/S 80C	Not Eligible for Deduction	Eligible for Deduction U/S 80C	Eligible for Deduction U/S 80C
Interest credited on Employer's Contribution (3)	Taxable in excess of 9.5% p.a	Not Taxable at the time of credit of interest	Fully Exempt	N.A
Interest credited on Employee's Contribution (4)	Taxable in excess of 9.5% p.a	Not Taxable at the time of credit of interest	Exempt upto certain limit	Fully Exempt
Amount withdrawn on retirement/termination (5)	Exempt u/s 10(12) ***	(2) Not Taxable (1) & (3) taxable as Profit in Lieu of Salary (4) Taxable under Income from Other Sources	Exempt U/S 10 (11)	Fully Exempt U/S 10 (11)



- Salary= Basic +DA (if provided in terms of employment for retirement benefits)+ Commission (% of turnover)



COMPUTATION OF INCOME FROM SALARIES

Basic Salary	XXX
Fees/Commission	XXX
Bonus	XXX
Fully Taxable Allowances	XXX
Partly Taxable Allowances	XXX
Fully Exempted Allowances	---
Taxable Perquisites	XXX
Retirement Benefits [GRATUITY, PENSION, LEAVE ENCASHMENT, VOLUNTARY RETIREMENT COMPENSATION, RETRENCHMENT COMPENSATION]	XXX
GROSS SALARY	
Deductions U/S 16	
INCOME FROM SALARIES	



Thank You

CORPORATE GOVERNANCE

Chapter 5

PREFACE

- The Securities and exchange commission of USA FIRST think of this concept in **1970**
- In **1976** the word “corporate governance” 1st use in the federal register of USA
- “**Governance**” word came from Latin word “Gubanare” which means to steer.

DEFINITION

- Sir Adrian Cadbury: *the system by which companies are directed and controlled.*
- An internal system encompassing policies, processes, and people, which serves the needs of shareholders and stakeholders, by directing and controlling management activities, with good business savvy, objectivity, accountability, and integrity.

PRINCIPLES OF CORPORATE GOVERNANCE

- To ensure the rights of the shareholder
- To protect the interest of the other stakeholder
- Role and responsibility of the board
- Integrity and ethical behavior
- Disclosure and transparency
- Mechanism and control

FEATURE OF CORPORATE GOVERNANCE

- I. discipline
- II. Transparency
- III. Independence
- IV. To protect the rights of the shareholder
- V. Accountability
- VI. Responsibility
- VII. Social responsibility
- VIII. Fairness
- IX. Universal acceptance

REPORTS ON CORPORATE GOVERNANCE

- i. Company's corporate governance philosophy
- ii. Corporate governance guidelines
- iii. Board of directors
- iv. Size and composition of the board
- v. Selection of director and board membership criteria
- vi. Familiarisation program for independent director
- vii. Scheduling and selection of agenda for the board meeting
- viii. Remuneration of the director
- ix. Record of the attendance of the board meeting
- x. Independent director's meetings
- xi. Audit committee
- xii. Nomination and remuneration committee
- xiii. Corporate social responsibility committee
- xiv. Risk management committee
- xv. Shareholder's relationship committee
- xvi. Ethics and compliance committee
- xvii. Others committee

DIFFERENT COMMITTEE OF CORPORATE GOVERNANCE

- CADBURY COMMITTEE
- GREENBURY COMMITTEE
- HAMPLE COMMITTEE
- COMBINE CODE OF CONDUCT
- 2010 UK CODE

DIFFERENT COMMITTEE OF CORPORATE GOVERNANCE INDIAN

- CII DESIRABLE CORPORATE GOVERNANCE CODE 1998
- THE SEBI CODE 1999
- NARAYAN Murti COMMITTEE
- NARESH CHANDRA COMMITTEE
- JJ ERANI COMMITTEE
- CLAUSE 49 OF LISTING AGREEMENT