THE IMPLICATION AND EFFECTIVENESS OF COST-VOLUME-PROFIT ANALYSIS IN MANUFACTURING INDUSTRIES

(CASE STUDY OF EMENITE NIGERIA LIMITED AND OKACHA NIGERIA LIMITED ENUGU)

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ABSTRACT

The objective of this study is to access, evaluate the implications and the extent by which variations on the cost and volume of production can affect the profit of an organisation with particular emphasis on manufacturing industries.

It was a paramount importance to obtain data that are accurate and relevant so as to enable reasonable conclusion to be drawn from the study.

Data relevant to this study were obtained from both primary and secondary sources. The primary sources involve personal interviews and questionnaire. The rest of the information came from library source. The information collected was analysed using simple statistical tools, tabular diagrams and percentage ratios.

The finding of this study revealed that the more the cost acquired for a particular production without a corresponding increase in the volume of products reduces profit. Hence, manufacturing industries should ensure that when cost increases that raw material should equally increase to manufacture more products to cover the variable and fixed cost and also retain a reasonable profit for the firm. Also, effective application of the cost-volume-profit analysis will help management in attaining its short-term plans and serves as a basis for long-term strategic plans.

It was therefore, recommended that linear programming, decision models and techniques are tools of cost-volume-profit analysis, hence, all

manufacturing industries have to determine whether their industries is maximizing profit or freezing out of the market by using the above mentioned methods or techniques to analyse their cost-volume-profit.

And besides, in the office operation, budgets should be made more detailed, religiously adhered to and controlled more vigorously so as to reduce total operational costs.