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LINKING COST-VOLUME-PROFIT ANALYSIS WITH GOAL ANALYSIS IN THE CURRICULUM USING SPREADSHEET APPLICATIONS

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ABSTRACT

This paper is designed to demonstrate successful innovations in education, namely, combining a managerial accounting concept with a menu analysis concept using spreadsheet applications. The managerial accounting concept of cost-volume-profit (CVP) analysis predicts the sales dollars and volume required to achieve desired profit (or break-even) based on known costs. The menu analysis concept of goal value (GV) analysis evaluates each menu item's food cost percentage, contribution margin, popularity, non-food variable costs (e.g., variable labor costs), and selling price.

CVP analysis is used to establish targets for the entire operation, whereas GV analysis evaluates individual menu items against those operational targets. GV analysis is based on the operational goals in terms of food cost, other variable costs, selling price, and number of covers. If, for example, the CVP analysis suggests that the number of covers needed to generate desired profits will not likely be achieved, costs should be evaluated. If food and labor costs are reduced to generate a more reasonable sales figure in CVP by increasing contribution margin, then those changes affect the desired food and variable (labor) costs in GV analysis. In addition, desired selling price (check average) and number of covers in GV analysis should be set based on results in CVP analysis. Therefore, the two analyses can be strategically linked. In order to effectively teach the linkage between CVP analysis and GV analysis, the author presents spreadsheet applications that combine the two analyses.