
COST VOLUME PROFIT ANALYSIS AS A MANAGEMENT TOOL FOR DECISION MAKING IN SMEs IN ANAMBRA STATE

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ABSTRACT

This study examined cost-volume-profit (CVP) Analysis as a management tool for decision making in small and medium enterprises (SMEs) in Anambra State. A survey research design was adopted on a population of 1,737 registered SMEs in Anambra State. Primary data were obtained by distributing questionnaire to one hundred and fifty (150) operators of SMEs in Aguata Local Government Area of Anambra State that made up the sample size. The primary data obtained through the use of questionnaire were presented in tables and analyzed using simple percentage, bar charts and pie charts while the hypotheses formulated were tested using simple linear regression and Pearson Correlation at 5% level of significance. The findings were that: Cost Volume Profit (CVP) analysis significantly enhances profit planning and pricing decisions of small and medium scale enterprises in Anambra State and that there is a significant relationship between the application of CVP analysis and improvement in production planning. Consequently, this study therefore recommends that cost volume profit analysis is a reliable tool for profit planning, pricing and production planning, management of SMEs should therefore intensify its application; top management of SMEs should support CVP analysis model to enable adequate profit planning, determination of margin of safety and the achievement of the envisaged bottom-line, SMEs should use the CVP analysis techniques that are most suitable for their environment and business and that managements of SMEs should computerize their CVP system to make it work better.

Key Words: Cost Volume Profit Analysis, Pricing Decision, Profit Planning, Product Pricing, Production Planning and Small And Medium Scale Enterprises.

1.1 Background of the Study

Small and Medium-Sized Enterprises (SMEs) is a combination that constitute a recognizable driving force that stirs up the development of an economy; its contribution towards economic development can never be over-looked by any developing country such as Nigeria, especially in this country where there has been a decade-long struggle to diversify from petrol-carbon revenue, alleviate poverty and generate employment (Mbanugo, Nwannah & Udegbumam, 2020; Adegbe & Alawode, 2020). However, the premature death of SMEs has been traced primarily to the inability to generate adequate revenue to cover its operating costs and make a sustainable profit (Abdullahi, Suleiman, Mukhtar, & Musa, 2017). Other factors inhibiting the performance of the SMEs include absence or weak application of management accounting techniques to aid decision process. The chain of the effect of poor managerial decision includes the establishment of a wrong target leading to adverse variance between budget and actual activity, and the inability to achieve the envisaged bottom-line. Therefore, effective managerial decision-making entails the use of appropriate financial and management models, such as cost volume profit analysis technique (Okpala & Osanebi, 2020).

The cost volume profit analysis, commonly referred to as CVP, is a planning process that management uses to predict the future volume of activity, costs incurred, sales made, and profits received (Santhoshkumar, 2021). Basically, it is expressed as a mathematical equation that computes how changes in costs and sales will affect income in future periods. According to Malarkodi and Ranjitha (2021), Cost Volume Profit (CVP) Analysis has become a most powerful tool to maximize profits in today's turbulent competitive market scenario. CVP analysis immensely helps the company to make vital decisions to boost up the sales and to earn profit. It demonstrates the association among various elements in planning of profit, in particular, variable cost, sales volume, sales mix and product cost. CVP examination is the reason for understanding in commitment of marginal pricing, related short run choices, target costing and exchange value. Cost Volume Profit analysis has incredible breadth in different administrative decision making. This is because it can help management in deciding the nature of products to be created to accomplish required benefits, the amount of items to be delivered at any rate limit level, achieving required benefits under various cost and volume relationship (Sajedeh, Abekah & Rahim, 2020; Nguyen, Oanh, Phong & Tran, 2020).

In addition, cost volume profit analysis is a model which is used to plan profit since the general objective of the use of CVP is to assist management in formulating pricing policies by projecting the effect of different price structures on cost and profit (Ndongolo, 2013). That is to say, the relevance and efficiency of Cost Volume Profit analysis as a decisions' model is underlined by the fact that it helps businesses to face the challenges caused by the ever changing business environment predominantly in Nigeria. Thus, small and medium scale. A common application of Cost Volume Profit analysis is the determination of the quantity of output that is needed to earn a target profit or to break even. The analysis of CVP is a technique in management accounting in which cost are analyzed according to cost behaviour characteristics into fixed costs and variable cost and compared to sales revenue. It is carried out with the aim of determining the level of sales volume, sales value or production at which the business makes neither a profit nor a loss (Santhoshkumar, 2021). However, Sajedeh, Abekah and Rahim (2020) observed that the use of cost-volume-profit analysis for actual planning is often limited by an inability to properly incorporate uncertainty in the analysis when assumptions about known price and costs do not hold. Limitations of CVP analysis such as fixed costs not always fixed, proportionate relation between variable cost and volume of output not always effective, unit selling price not always constant, not suitable for a

multiproduct firm, could be the major reasons some managers neglect the application of CVP for analysis in the managerial decision making process of the firms. It is against the backdrop above that this study is conducted to explore cost volume profit analysis as a management tool for decision-making in SMEs in Anambra state.

1.2 Objectives of the Study

The broad objective of this study is to explore cost volume profit analysis as a management tool for decision-making in SMEs in Anambra state. The specific objectives of this study include:

1. To ascertain the extent to which the use of CVP analysis enhances profit planning in small and medium scale enterprises in Anambra state.
2. To examine the degree to which the use of CVP analysis improves pricing decision of small and medium scale enterprises in Anambra state.
3. To ascertain the relationship between the application of CVP analysis and production planning in small and medium scale enterprises in Anambra state.

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Cost Volume Profit Analysis

The cost volume profit analysis, commonly referred to as CVP, is a planning process that management uses to predict the future volume of activity, costs incurred, sales made, and profits received (Santhoshkumar, 2021). Basically, it is expressed as a mathematical equation that computes how changes in costs and sales will affect income in future periods. Cost volume profit analysis is a model which is used to plan profit since the general objective of the use of CVP is to assist management in formulating pricing policies by projecting the effect of different price structures on cost and profit (Ndongolo, 2013). That is to say, the relevancy and efficiency of Cost Volume Profit analysis as a decisions model is underlined by the fact that it helps businesses to face the challenges caused by the ever changing business environment predominantly in Nigeria. Abdullahi (2015) describes cost volume profit analysis as an estimate of how changes in costs (Both variable and Fixed) sales volume, and price effect the company's profit.

The cost-volume-profit analysis determines the contribution margin of a product, and thereafter the break-even point, target profit and degree of operating leverage. Analyzing cost, volume and profit of a product helps managers to understand why the production mix behaves in a certain way when there are variations in selling price, costs or output (Horngren, Datar & Rajan, 2012). Variable costing has been proved to be very useful when conducting CVP analysis or making managerial decisions which include production planning (Kallio, 2018).

The CVP analysis is based on estimations in order to measure the costs of manufacturing a certain product or a product mix (Kee, 2007). Analyzing cost data by each calculation target simplifies the production planning. The information allows companies to verify the efficiency of their strategy and focuses on the problematic sectors. The company's overall performance

could be positive although one product might be creating loss; thus, conducting the cost-volume-profit analysis assists also with maximizing the efficiency of production.

Even though cost-volume-profit analysis is most advantageous in a single-product setting, it can be applied in companies with multiple various products. A sales mix needs to be defined before the utilization can be completed. The product mix is described as a package, and the package values are implemented for the calculations. (Hansen, Mowen, 2006). Defining the production plan is crucial and one of the most important management decisions because it directly impacts the results achieved from the analysis (Okechukwu, Ekwunife & Moneke, 2016). Therefore, managers must pay close attention to the preferred production mix as it affects the company's revenue and profit (Walther and Skousen, 2009). With the right combination of sold products the profit from operations can increase and be further used for developing new products or investing (Kallio, 2018). .

2.1.2 Use of CVP for Production Planning

The cost-volume-profit analysis determines the contribution margin of a product, and thereafter the break-even point, target profit and degree of operating leverage. Analyzing cost, volume and profit of a product helps managers to understand why the production mix behaves in a certain way when there are variations in selling price, costs or output (Horngren, Datar & Rajan, 2012). Variable costing has been proved to be very useful when conducting CVP analysis or making managerial decisions which include production planning (Kallio, 2018).

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2.1.3 Use of CVP for Pricing Decision

CVP model is a vital tool used for determining the practical application of cost function. It assists managers to examine the relationship between sales and cost components systematically (Glautier, Morris & Underdown, 2011). CVP analysis is also used to appraise the financial consequence of a wide range of strategic and operational decisions, especially for short-term pricing decision and assessment of the margin of safety (Abdullahi, 2015). Successful pricing decision is the foundation for a profitable business. It is one of the company's most important decisions, directly affecting sales and therefore profit (Viitala and

Jylha, 2013). Even the smallest changes in sales prices have direct effect on the viability of a company which makes the sophistication of prices difficult. Too low selling prices do not generally cover all incurred costs whereas too high prices expel customers. Companies can estimate the prices of their products by using different pricing methods (Kallio, 2018). The basis of determining selling prices can be done according to the pricing of competitors or based on product costs. Still, pricing is always contingent on cost information because the supply is directly affected by costs; thus, when developing a new product, it is essential to determine a correct price that covers all costs and generates required amount of profit (Okechukwu, Ekwunife & Moneke, 2016).

Costs which represents expenditure incurred in line with a defined objective for an economic benefit are categorized into fixed and variables under CVP model as a matter of assumption. While the variable costs fluctuate with changes in the volume of output, the fixed costs remain constant within a relevant range (Stefan, 2012). The variable cost is equal to zero, where no product is manufactured or sold, but the fixed cost is higher than zero. This scenario implies that contribution is maximized to cover the fixed cost, where the selling price per unit is higher than the variable cost per unit (Lucey, 2003). Some costs are hybrid – semi-fixed or semi-variable and must be separated into fixed and variable components before the cost volume profit is analyzed (Adeniji, 2017). The production and sales volume measure the units of a firm's product manufactured and sold within a period (Georgiev, 2014). The application of the CVP technique effectiveness is seen in touching virtually everything that managers do especially in terms of pricing decision.

2.1.4 Use of CVP for Profit Planning

Organizations in the course of planning, set-up activities required to achieve the desired goals. Such a process involves a list of steps with details of the timing and resources needed to create and maintain the envisaged level of performance and the consequential result (Okechukwu, Ekwunife & Moneke, 2016). The CVP analysis technique measures the impact of varying levels of costs and volume on the operating profit to determine the Break Even Point (BEP) at different sales volumes and cost structures. This is useful for managers making short-term economic decisions. The employment of CVP analysis is based on its ability to forecast future earnings at different levels of activity (Okpala & Osanebi, 2020).

Earning of maximum profit is the ultimate goal of almost all business undertakings. The most important factor influencing the earning of profit is the level of production (i.e., volume of output). Cost-volume-profit (CVP) analysis examines the relationship of costs and profit to the volume of business to maximize profits. There may be a change in the level of production due to many reasons, such as competition, introduction of a new product, trade depression or boom, increased demand for the product, scarce resources, change in selling prices of products, etc. In such cases management must study the effect on profit on account of the changing levels of production. A number of techniques can be used as an aid to management in this respect. One such technique is the cost-volume-profit analysis (Abdullahi, Mukhtar, Sulaimon & Musa, 2017).

3.1 Theoretical Framework

3.1.1 Contingency Theory

This study is anchored on Contingency Theory of management which was propounded by Burns and Stalker in 1961. This aspect of Contingency theory is often applied in management studies. Contingency theory of management assumes that there is no singular or generally accepted and standard management accounting technique that best suits every firm.

Instead, each organizational enterprise is urged by the theory to streamline its own peculiar strategic management practice that would best help the firm to maximize shareholders wealth through improved organizational growth (Austin & Ejike, 2019). Contingency theory considers various pertinent factors that determine the choice of management accounting technique among firms and posited that firm size, level of technological changes, extent of infrastructural facility, etc. could be the major decisive factor that would influence the particular tool a firm finally deploys (Ayaundu & Ogoun, 2020).

One of the determinants of whether or not CVP is the possibility that the tool will facilitate better decision making process that could ultimately improve the financial outcomes of the SME. That is to say, the theory argues that efficiency and effectiveness of technique is the major determinant of the choice CVP to N ol among firms. Contingency theory of management assumes that optimal organisational growth depends on whether the management information systems meet the peculiar information needs of the firm (Maziriri & Miston, 2017; Gichaaga, 2014).

3.2 Empirical Review

Santhoshkumar (2021) explored Cost volume profit analysis of Sri Jayashree food corn Products. The research design of the present study is descriptive. Only the secondary data has been used in project study. The data required for the study where collected mostly from the annual report manuals and accounts of Sri Jayashree food corn Products, and various magazines and journals. The data were collected for Five years from 2016-2020. To arrive at research findings and the conclusion of the present study, ratio analysis, comparative balance sheet analysis and Trend analysis have been used. The findings show that CVP analysis influences the financial strength of Sri Jayashree food corn Products.

Malarkodi and Ranjitha (2021) carried out a study on determinant analysis of Cost Volume Profit of E.I.D-Parry (India) Limited Pugalur. To achieve the target, the five year financial information from the time frame 2016 to 2020 in the form of secondary data were obtained. The data were then analyzed and suggestions were given. It was inferred that CVP analysis is utilized to raise production limit and use trend setting technology to diminish the cost of manufacturing and to take right decisions and to gain profit. The study found that Cost Volume Profit analysis inspects the conduct of changes in the yield level, selling value, variable expense and fixed cost of a product.

Pradhan, Swain and Dash (2018) examined the relationship between the adoption of various management accounting practices and the impact of such practices on supply chain performance and firm financial performance. The study deployed descriptive survey research design. The sampling design and data collection of the study was based on judgmental non-probability sampling. The respondents of the study consisted of senior, middle and junior level managers from the three domains of production, finance and logistics. One hundred and thirteen (113) respondents participated in the survey and primary data was collected from these respondents through structured questionnaire. This research also utilised descriptive-correlation method

wherein all measurement indicators were assessed for validity and reliability taking into account the model. This study used the structural equation modelling (SEM) via PLSs for analysing the data using process measurement and structural model stages. The study revealed that management accounting practices through adoption of various advanced techniques positively and significantly affect the supply chain activity and corporate performance.

Abdullahi, Mukhtar, Sulaimon and Musa (2017) determined whether small business enterprises utilize cost volume profit (CVP) analysis as a management tool for decision-making process in Bayero University Kano, with a view to shed light on the reality of the use of CVP analysis as a decision-making tool in small business enterprises. The study population was made up of the entire small business enterprises within Bayero University, Kano. Primary source of data were utilized using structured questionnaires. The hypotheses were tested using Mann-Whitney U test and Pearson correlation coefficient. A very weak relationship (0.02) was recorded, it was discovered that there is no statistical significant difference between having the knowledge of a management accounting tools and its application. The study concluded that small business enterprises utilize CVP ignorantly and it is recommended that CVP analysis and other management accounting tools be introduced to small business enterprises so that productivity can be improved.

Okechukwu, Ekwunife and Moneke (2016) examined the application of cost volume profit analysis in management decisions of manufacturing organization. Using comparative survey design, primary sources of data and questionnaire as instrument of data collection with a sample size of 255 derived from population size of 700 with the use of Taro Yamane formula and data's analysis using regression method of data analysis; the findings of the study showed that cost volume profit analysis is important in decision making of any given production firm. The findings further indicates that unit variable cost and marginal cost etc. which forms chain of production affect manufacturing organization and such manufacturing firms should apply the knowledge of cost volume profit analysis in their managerial decision. Therefore, it was recommended that Manufacturing firms should effectively look at their chain of production, analyse it effectively before embarking on managerial decision in order to attain effective profit margin and results obtained from cost volumes analysis of a firm should be implemented in order to ensure that the firm do not lose in their cost of production.

Ali and Moudud-Ul-Huq (2016) evaluated the performance of manufacturing companies based on CVP (Cost-Volume-Profit) analysis in Bangladesh. To attain this purpose, 14 manufacturing companies were surveyed from Textile Industry. This study attempted to examine the influence of key indicators of CVP analysis in performance evaluation in textile industry. The study found that the average contribution margin ratios are 16.13% in the year 2013 and 15.57% in the year 2012. So, average contribution margin ratio has increased by 0.56% in the year 2013. Again the average margin of safety percentage (MS %) are 53.59% in the year 2013 and 51.46% in the year 2012. So, average margin of safety percentage has increased by 2.13% in the year 2013. This indicators show that textile industry is increasing operating profit with contribution margin. Finally, findings show that the other indicators of CVP techniques such as contribution margin, break-even-sales, and margin of safety have changed positively where the degree of operation leverage (DOL) and earnings per share (EPS) have changed negatively in the year 2013 than the year 2012.

4.1 MATERIAL AND METHOD

This study used survey research method through the use of questionnaire aimed at gathering information from SMEs in Anambra State. The target population consists of all SMEs in Anambra State. The SMEs' owners and operators in Anambra State were the main target of this study. According to findings from small and medium enterprises development agency of Nigeria (SMEDAN) and National Bureau of Statistics collaborative survey (2013), there are 1737 registered SMEs in Anambra state. The environmental qualities that may skew results will not have negative impact on the subjects surveyed.

Simple random sampling was used to select the one hundred and fifty (150) SMEs' owners and operators in Anambra State for the filling of the questionnaires in this research.

Primary data was used through distribution of questionnaire and personal interview.

4.2 DATA PRESENTATION, ANALYSIS AND INTERPRETATION

The interpretation of the analysis of questionnaire administered to the SMEs' owners and operators in Anambra State of Nigeria to elicit information about the effect of Cost Volume Profit (CVP) analysis on decision making of Small and Medium Scale Enterprises. The qualitative and quantitative approaches were used in the analysis of data.

Table 4.1: Questionnaire Distribution and Collection

Response	Respondents	Percentage
Total number of Questionnaire distributed	150	100%
Total number of questionnaire returned	138	92%
Total number of questionnaire unreturned	12	8%

Source: Researcher's computation from field survey, (2021)

The SMEs owners and operators in Anambra State were targeted for this study, 150 SMEs owners and operators filled the questionnaire in their business premises, then the questionnaire was coded and checked for accuracy, 138 out of the 150 responded to by the SMEs owners and operators was considered suitable and well filled for this research. That is about 92% response rate of the entire questionnaire that was filled for this research. 92.0% response rate is accepted to be sufficient and adjudged good representative for this study's population, this is conformed to Atoyebi and Mugenda (2007) stipulation which state that 50% response rate is adequate for reporting and analysis, 60% response rate is good for reporting and analysis while 70% and above response rate is excellent for reporting and analysis. So as to arrive at reliable results, SPSS (Statistical Package for Social Sciences) is used for the data analyses. The study findings were presented in form of tables and charts as appropriate.

Table 4.2: Effect of CVP analysis on profit planning decisions of SMEs

Items	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
	Freq.	Percent	Freq.	Percent	Freq.	Percent	Freq.	Percent	Freq.	Percent
Cost Volume Profit (CVP) analysis is a useful guide in the setting of profit target of SMEs.	52	37.68	78	56.52	2	1.45	0	0.00	6	4.35
CVP is useful in analyzing, summarizing and evaluating various alternative courses of action which helps in determination the profits of products of SMEs.	47	34.06	69	50.00	0	0.00	4	2.90	18	13.04
CVP provides the detailed cost information that management needs to calculate the breakeven units and sales volume of SMEs.	44	31.88	71	51.45	7	5.07	7	5.07	9	6.52
Information provided by the costing system is used to inform the profit decisions of managers through a technique known as Cost Volume Profit analysis.	28	20.29	75	54.35	15	10.87	3	2.17	17	12.32

Source: Field Survey, (2021)

The cost accounting information have effect on the profit target of SMEs as revealed in Table 4.2, 52 (37.68%) and 78 (56.52%) of the respondents claimed (Strongly Agree and Agree) that CVP analysis is a useful guide in setting of profit targets of SMEs. 47 (34.06%) and 69 (50.00%) respondents affirmed (Strongly Agree and Agree) that CVP is a useful task of collecting, analyzing, summarizing and evaluating various alternative courses of action which helps in the profit determination of SMEs. 44 (31.88%) and 71 (51.45%) of the respondents claimed (Strongly Agree and Agree) that CVP analysis technique provides the detailed cost information that management needs to calculate the breakeven units and sales volume of

SMEs. 28 (20.29%) and 75 (54.35%) respondents affirmed (Strongly Agree and Agree) that information provided by the costing system is used to inform the profit decisions of managers through a method known as Cost Volume Profit analysis. 31 (22.46%) and 49 (35.51%) respondents affirmed (Strongly Agree and Agree) that Cost Volume Profit (CVP) analysis has impact on the profit planning of SMEs.

Table 4.3: Cost Volume Profit (CVP) effect on pricing

ITEMS	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
	Freq.	Percent	Freq.	Percent	Freq.	Percent	Freq.	Percent	Freq.	Percent
CVP analysis does not provide the detailed cost information that management needs to plan for the future including product pricing	22	15.94	45	32.61	20	14.49	13	9.42	38	27.54
CVP analysis technique does not help SMEs in pricing of special orders	37	26.81	61	44.20	0	0.00	15	10.87	25	18.12
CVP is used by managers to facilitate make or buy decisions	32	23.19	74	53.62	23	16.67	0	0.00	9	6.52
CVP provides the detailed cost information that management needs to control cost and fix prices of S/MEs.	46	33.33	65	47.10	12	8.70	5	3.62	10	7.25

Source: Computed by Author, (2021)

Considering how managers' decisions pertaining to planning and control is influenced by cost accounting; Table 4.3 shows that 22 (15.94%) and 45 (32.61%) respondents agreed (Strongly Agree and Agree) that CVP does not provide the detailed cost information that management needs to plan for the future including product pricing. 37 (26.81%) and 61 (44.20%) respondents affirmed (Strongly Agree and Agree) that CVP technique does not aid management in the pricing of special orders. 32 (23.19%) and 74 (53.62%) respondents agreed (Strongly Agree and Agree) that CVP provides detailed information that facilitate make or buy decisions. And 46 (33.33%) and 65 (47.10%) respondents affirmed (Strongly Agree and Agree) CVP provides the detailed cost information that management needs to control cost and fix prices of SMEs. Therefore, it shows that cost accounting effect on the managers' decisions on pricing.

Table 4.4: Effect of CVP analysis on Production Planning of SMEs

	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
	Freq.	Percent	Freq.	Percent	Freq.	Percent	Freq.	Percent	Freq.	Percent
CVP analysis has positive correlation with effective product planning of SMEs	42	30.43	63	45.65	8	5.80	11	7.97	14	10.14
Lack of knowledge of CVP technique has negative effect on product planning of SMEs	34	24.64	47	34.06	18	13.04	13	9.42	26	18.84
Managers of SMEs can use CVP analysis as a guide in product planning	29	21.01	66	47.83	9	6.52	16	11.59	18	13.04
CVP provides the detailed cost information that management needs to plan for the future on the number and volume of production and the margin of safety.	18	13.04	39	28.26	27	19.57	19	13.77	35	25.36

Source: Computed by Author, (2021)

Table 4.4 reveals that 42 (30.43%) and 63 (45.65%) respondents concurred (Strongly Agree and Agree) that CVP analysis has a positive correlation with effective product planning of SMEs. 34 (24.64%) and 47 (34.06%) respondents concurred (Strongly Agree and Agree) that Lack of knowledge of CVP technique has negative effect on product planning of SMEs. 29 (21.01%) and 66 (47.83%) respondents concurred (Strongly Agree and Agree) that managers of SMEs can use CVP as a guide in product planning. Lastly, 18 (13.04%) and 39 (28.26%) respondents concurred (Strongly Agree and Agree) that CVP analysis provides the detailed cost information that management needs to plan for the future on the number and volume of production and the margin of safety.

The 138 SMEs owners and operators in Anambra State that participated in this study shows that the effective application of CVP analysis helps in product planning of SMEs..

5.1 Summary of Findings

The following findings were made after the analysis on chapter four:

1. Cost Volume Profit (CVP) analysis significantly enhances profit planning of small and medium scale enterprises in Anambra State.
2. The application of Cost Volume Profit (CVP) analysis significantly enhances pricing decisions of small and medium scale enterprises in Anambra State.
3. There is a significant relationship between the application of CVP analysis and improvement in production planning

5.2 Conclusion

This research discovered that the use of CVP is a useful tool in decision making in SMEs. The study found that CVBP analysis improves the managers' decisions pertaining to profit planning, pricing and production planning. Thus, the results also show that there is significant relationship between them

The study contributed conceptually by proposing a new conceptual framework, which confirmed that there is a relationship between the application of cost volume profit analysis and profit planning in SMEs. The theoretical contribution of this research is the confirmation of the relevance of the institutional theory and innovations theory of profits. Lastly, the study also contributed empirically by producing a practical result, which indicates that the relationship between the independent and the dependent variables is not only positive but significant.

5.3 Recommendations

- Cost volume profit analysis is a reliable tool for profit planning, pricing and production planning, therefore management of SMEs should therefore intensify its application.
- Top management of SMEs should support CVP analysis model to enable adequate profit planning, determination of margin of safety and the achievement of the envisaged bottom-line.
- SMEs should use the CVP analysis techniques that are most suitable for their environment and business. For instance, the level of technological advancement, size of the company, stage of the product and culture.
- Managements of SMEs should computerize their CVP system to make it work better.

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Appendix

SECTION B: Effect of CVP analysis on profit planning decision of SMEs

S/N	ITEMS	1 SA	2 A	3 D	4 SD
6	Cost Volume Profit (CVP) analysis is a useful guide in setting target profit of SMEs.				
7	Cost Volume Profit (CVP) analysis is useful in analyzing, summarizing and evaluating various alternative courses of action which helps in determining the profit of SMEs.				
8	Cost Volume Profit (CVP) analysis provides the detailed information that management needs to calculate the breakeven units and volume of sales of SMEs.				
9	Information provided by the costing system is used to inform the profit decisions of managers through a method known as cost volume profit analysis.				

SECTION C: Effect of Cost Volume Profit (CVP) on pricing

S/N	ITEMS	1 SA	2 A	3 D	4 SD
10	CVP analysis does not provide the detailed cost information that management needs to plan for the future including production pricing.				
11	CVP analysis does not help SMEs in pricing special orders				
12	Cost Volume Profit is used by managers to facilitate make or buy decisions				
13	Cost accounting provides the detailed cost information that management needs to control cost and fix prices in SMEs.				

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S/N	ITEMS	1 SA	2 A	3 D	4 SD
14	CVP analysis has positive correlation with effective product planning of SMEs				
15	Lack of knowledge of CVP techniques has negative effects on product planning of SMEs				
16	Managers of SMEs can use CVP as a guide in product planning				
17	CVP analysis provides detailed information that management needs to plan for the future on the number and volume production and the margin of safety..				