Retraction

Retracted: Enterprise Management Decision and Financial Management Based on Dynamic Cost Volume Profit Model

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This article has been retracted by Hindawi following an investigation undertaken by the publisher [1]. This investigation has uncovered evidence of one or more of the following indicators of systematic manipulation of the publication process:

1. Discrepancies in scope
2. Discrepancies in the description of the research reported
3. Discrepancies between the availability of data and the research described
4. Inappropriate citations
5. Incoherent, meaningless and/or irrelevant content included in the article
6. Peer-review manipulation

The presence of these indicators undermines our confidence in the integrity of the article’s content and we cannot, therefore, vouch for its reliability. Please note that this notice is intended solely to alert readers that the content of this article is unreliable. We have not investigated whether authors were aware of or involved in the systematic manipulation of the publication process.

Wiley and Hindawi regrets that the usual quality checks did not identify these issues before publication and have since put additional measures in place to safeguard research integrity.

We wish to credit our own Research Integrity and Research Publishing teams and anonymous and named external researchers and research integrity experts for contributing to this investigation.

References

Research Article

Enterprise Management Decision and Financial Management Based on Dynamic Cost Volume Profit Model

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Under the background of today’s times, the internal and external environment of enterprises is complex and changeable. It is of great significance for the survival and development of enterprises to continuously reduce the business risks and improve the economic benefits of enterprises by adopting scientific decision-making methods. CVP (cost volume profit) analysis is a model established by sorting out variables related to business decisions in enterprise production through mathematical modeling. Based on the interpretation of cost behavior by multiple cost drivers, this paper establishes a dynamic CVP model of traditional CVP analysis, breaks through the limitations of original assumptions, and improves the application value of CVP analysis in practice. The model is applied to the business decision-making and financial management of a case enterprise, and the products with different characteristics of the enterprise are modeled and analyzed, so as to provide targeted improvement suggestions or strategies for the enterprise’s product production decision-making. The research shows that the dynamic CVP model can be used to formulate the financial management strategy to optimize the profits of enterprises, and it can achieve stable profits and development in the market competition.

1. Introduction

With the vigorous development of China’s socialist market economy, the competition among enterprises is becoming fiercer and fiercer, and the competitive pressure is increasing. In order to improve the management level of the company’s management decision and expand the company’s share in the market, scientific management methods must be used to reasonably control the cost of the enterprise and maximize the production profit. The secondary industry, which is dominated by manufacturing, is still an important part of China’s real economy. However, the manufacturing enterprises’ sales profit rate is declining year by year because of the relatively large production cost of their products in sales revenue and the increasing expenses of raw materials and labor wages, so the development trend of the industry is not optimistic [1]. In real economic life, the number of buyers and sellers is often very limited. Under the limited number, the market cannot be completely competitive. In order to establish CVP (cost volume profit) analysis theory, we must make some basic assumptions about the above-mentioned complex relationships, so as to strictly limit the scope of CVP analysis. If these basic assumptions are not met, we can conduct CVP extended analysis. CVP analysis is an important management tool for enterprises to forecast, make decisions, and control costs, and it plays an important role in enterprise management. Fuksa et al. [2] hold that the prerequisite for the implementation of CVP model is to simplify the application environment and meet the requirements of convenient calculation and analysis. Agrawal and Yadav [3] have found that CVP analysis can help the workshop understand the production and operation situation, find out various related reasons that have a significant impact on the profits of enterprises, and make improvements according to the degree of impact, so as to control the operating costs of enterprises [4]. Riehle et al. [5] point out that CVP analysis is an analytical tool suitable for short-term operation and management. The
main reason why this model requires the assumption of “short-term operation” is that if the products produced by an enterprise belong to a variety with a long cycle, their habits such as fixed cost and variable cost may not remain unchanged. Propose a cost calculation method based on activity. At present, enterprises in many western countries are using activity-based costing, and it is also a method to calculate the product cost of enterprises in line with modern requirements. Xu et al. [6] think that CVP analysis can help hotel management to make correct business decisions [7] and use CVP to analyze the main indicators of hotel industry requirements. Xu et al. [6] think that CVP analysis can help enterprises to use activity-based costing, and it is also a method to promote the use of activity. At present, enterprises in many western countries are using activity-based costing, and it is also a method to promote the use of activity and improve the timeliness and accuracy of analysis and is more practical.

2. Research Method

2.1. CVP Analysis Theory. CVP analysis is the abbreviation of cost, business volume, and profit analysis. By analyzing the relationship among cost, business volume, and profit, it finds the law of the relationship among them and determines the functional relationship, thus providing a basis for effective business decision-making and target control. Its principle is widely used in enterprise forecasting, decision-making, planning, and control.

The research of CVP analysis is based on a premise and three basic assumptions, namely, the linear relationship hypothesis, the production-marketing balance hypothesis, and the variety structure stability hypothesis.

Assumption of correlation range and linear relationship: CVP analysis starts with the division of cost habits and takes this as the first step. Under the condition that the fixed cost remains relatively stable, the variable cost is in direct proportion to the business volume. However, through the research and investigation of a large number of enterprise examples and the summary of experience, it can be known that the actual situation is filled with a large number of nonlinear relationships among total cost, product revenue, and business volume [13, 14].

Assumption of product structure stability: under the assumption that the original product structure remains unchanged, the sales fluctuation brought by market changes will inevitably lead to a big difference between profits and expected profits. Through this assumption, the managers of the company can focus on the impact of price, cost, and business volume on the company’s profits [15].

Assumption of balance between production and sales: assume that all products produced in the current period are sold in the current period, and combine the output and sales volume into one.

Based on the above basic assumptions, the basic model of CVP analysis can be expressed as

$$\Pi = S - TV - F = P \times Q - V \times Q - F,$$

where $\Pi$ is earnings before interest and tax, $S$ is sales revenue, $TV$ is variable cost, $F$ is fixed cost, $P$ is unit price, $Q$ is production and sales volume, and $V$ is unit variable cost.

The model is a basic profit and loss equation, which clearly expresses the quantitative relationship among cost, quantity, and profit, and can be transformed in form to predict unknown variables through known variables.

Break even point is a special state in which the input cost and output income of an enterprise are balanced. Calculate the output boundary point in this balanced state. Figure 1 shows the breakeven relationship diagram under the linear cost-output function [16].

As can be clearly seen from the above Figure 1, the straight line $R = px$ is the sales revenue line, while $C = C_f + C_vx$ represents the total cost line, where $C_f$ represents...
the fixed cost and $C_v$ represents the variable cost. The intersection point of the two line segments $Q^*$ breakeven point BEP.

At the left end of the breakeven point, that is, the part of $x < Q^*$, the total cost line of the enterprise is above the sales revenue line, and the enterprise is at a loss at this time. When $x > Q^*$, the total cost line of the enterprise is below the sales revenue line, and the product revenue is greater than the cost, and then, the enterprise is profitable.

2.2. Application of Dynamic CVP Model in Enterprise Management Decision. Applying CVP analysis to specific enterprises can fully help enterprises to judge the safety situation of production and business activities, so as to control it in the most favorable situation of enterprises, master the changes of various factors, find out the problems, and solve them in time, so as to maximize the profits of enterprises [17, 18]. Through the analysis of profit target, enterprises can analyze the influence of various factors on the realization of profit target according to their own actual situation, so as to make correct decisions and adjustments to realize profit target.

CVP model reveals the relationship among cost, production, and sales volume and book accrued profit, which can help enterprises determine production and sales volume reasonably. However, sometimes, decision-makers are more concerned about the impact of production and sales on cash flow or working capital than the corresponding profits [19].

Based on the above theoretical basis of cash flow analysis and the definition of cash and noncash items, the cash flow model is obtained by transforming CVP model. The cash flow model highlights the significance of cash flow and is a modification of CVP model. The cash breakeven point formula under the cash flow model is as follows:

$$Q^*_C = \frac{F_C}{P - V_C},$$

where $Q^*_C$ is the cash breakeven point, $F_C$ is a fixed cash cost, $P_C$ is the unit cash selling price, and $V_C$ is the unit cash variable cost.

Under the linear hypothesis, the general multivariety CVP analysis model considering various constraints is as follows:

Objective function:

$$\pi = \text{Max} \sum_{i=1}^{n} (p_i - b_i)x_i - \sum_{i=1}^{m} a_i,$$  \hspace{1cm} (3)

Constraints:

$$\begin{cases} \sum_{i=1}^{n} r_{ij}x_i \leq c_j, & j = 1, 2, \ldots, m, \\ x_i \geq 0, & i = 1, 2, \ldots, n, \end{cases} \hspace{1cm} (4)$$

where $\pi$ is profit and $P_i$ is the selling price of the $i$th product, $b_i$ is the unit variable cost of product $i$, $x_i$ is the output of the $i$th product, $a_i$ is the fixed cost of the $i$th product, $r_{ij}$ the $j$th resource used to produce the $i$th product, and $j$ stands for all kinds of available resources.

This CVP analysis considers the influence of selling price, variable cost, and various constraints on decision-making but does not consider the influence of fixed cost on decision-making and does not consider the difference between avoidable cost and avoidable cost in fixed cost.

Through the above analysis, the author believes that for the multivariety CVP analysis with avoidable fixed costs, a new model must be established, which Kaplan calls the fixed cost problem. A new simple integer variable $Z_i$ can be defined before creation.

The improved model is as follows:

Objective function:

$$\pi = \text{Max} \sum_{i=1}^{n} (p_i - b_i)x_i - \sum_{i=1}^{m} a_i - \sum_{i=1}^{n} a_i Z_i, \hspace{1cm} (5)$$

Constraints:

$$\begin{cases} \sum_{i=1}^{n} r_{ij}x_i \leq c_j, & j = 1, 2, \ldots, m, \\ x_i \leq Z_i U, & i = 1, 2, \ldots, n, \\ x_i \geq 0, \\ Z_i = 0, 1. \end{cases} \hspace{1cm} (6)$$

The $U$ of the constraint condition is an arbitrary but very large number, and its value is greater than the maximum output of any product; that is, an upper limit is set on the output and sales of any product, and the output and sales of any product cannot be greater than the $U$ value. The value of $U$ can be determined as a numerical value according to the actual situation of the enterprise.

The purpose of CVP sensitivity analysis is to analyze the limits of the changes of related factors when profit target changes from profit to loss and the sensitivity of the changes of related factors to profit, so that enterprises can determine
the focus of management according to sensitive information and make timely adjustments to decisions.

However, because the two CVP analyses are based on different cost behaviors, the content and results of sensitivity analysis will be different. Sensitivity analysis of sales-related factors provides enterprises with the sensitivity of profits to sales. Different sensitive information will lead enterprises to different management directions, and wrong sensitive information may even lead to mistakes in enterprise decision-making.

Let the profit $\prod_i = 0$ determine the critical value of each related factor of product $i$.

$$Q_i = \frac{F_i + \sum_{j=1}^{m} d_j y_{ij}}{P_i - V_i}. \quad (7)$$

Similarly, the maximum allowable activity cost of any activity of the product can be deduced:

$$b_{r} y_{ir} = (P_i - V_i)Q_i - \sum_{j=1}^{r-1} b_j y_{ij} - \sum_{j=r+1}^{m} b_j y_{ij} - F_i, \quad 1 \leq r \leq m. \quad (8)$$

In the dynamic CVP analysis model, the relevant factors have different influences on profits, and the sensitivity coefficient can also be used as an index, and the percentage change of the sensitivity coefficient profit factor is the percentage change. By analyzing the sensitivity coefficient of each factor to judge the sensitivity of profit to the change of factors, it is helpful for managers to distinguish primary and secondary, take appropriate measures, and adjust and realize profit target.

2.3. Practice of CVP Analysis in Financial Management. In the process of implementing long-term investment, the unit can use CVP analysis method to accurately grasp the capital turnover of the unit, control the risk of capital use, and lay a foundation for the unit to obtain better operating benefits. Based on this, CVP analysis can provide support for the long-term scientific decision-making of the company. In the process of unit development, the operating profit will be affected by many factors, among which the cost has a great influence. And scientifically control the use of cash flow according to the risk control situation, provide support for strengthening the overall control effect of the unit and optimizing the fund allocation effect, and promote the development of the overall operating efficiency within the unit.

We should continue to produce this product when the company has sufficient resources. If the production is stopped, the fixed cost will not be reduced, but there will be no sales revenue, and the company’s loss will increase instead. Because the marginal contribution of each product is different, if the sales structure of the product changes, it will lead to the change of expected profit and actual profit, which will affect CVP analysis. Therefore, when CVP analysis is conducted, it is necessary to assume that the variety structure is stable, which is beneficial for enterprise managers to analyze the impact of price, cost, and business volume on operating profit.

Whether it is a linear model or a nonlinear model, it is assumed that the relevant variables are deterministic variables. However, in real decision-making, many factors in the future are not deterministic, but random or uncertain. For example, the influence of price market factors will produce random fluctuations. The unit cost also has randomness. The simulation process is shown in Figure 2.

In this paper, Monte Carlo fitting method, breakeven analysis, and graphic method will be used to help managers make decisions. By generating discrete random numbers, CVP graphs under uncertain environmental conditions will be given dynamically.

The complexity and variability of the economy in reality make it difficult to predict the sales unit price, unit variable cost, fixed cost, and sales volume with certain values, and all factors are uncertain. The main elements of the economic system are people with limited rationality and irrationality. Therefore, strictly speaking, the economic system is composed of all complex activities of people and the complex relationship between people and the environment. The biggest feature of the economic system lies in people’s participation. Any economic activity and economic behavior are carried out under the guidance of man, which depends on man’s limited rational and irrational abilities, such as thought, will, preference, knowledge, psychology, and values. Because people’s bounded rationality and irrationality are extremely complex and nonlinear, the economic system is bound to show complexity.

It is assumed that the selling unit price, unit variable cost, and fixed cost are certain values, and the sales volume is a random variable.

If the sales volume $Q_i$ of product $i$ obeys the normal distribution $Q \sim N(\mu, \sigma^2)$ with expected value $\mu$ and variance $\sigma^2$, according to the expected profit,

$$E\left(\prod_i \right) = (P_i - V_i) \times \mu - \sum_{j=1}^{m} b_j y_{ij} - F_i. \quad (9)$$
The highest expected probability; if it is risk-neutral, he will choose the scheme with higher risk but higher probability or lowest loss probability. If the decision-maker is risk-averse, he will choose the scheme with higher profit probability or lowest loss probability; if it is risk-neutral, he will choose the scheme with the highest expected profit; if it is risk-taking, he will choose the scheme with higher risk but higher profit.

If the production capacity of each enterprise permits, balanced output should be included in the plan as the target profit for some reason.

Assume that the ith enterprise takes \( L_0 \) as the profit target. Under the static game of complete information, other enterprises do not know its choice and still produce according to the balanced output \( Q_i^* (j \neq i) \). At this time, the profit target model is as follows:

\[
\begin{align*}
L_0 &= Q_i P \left( \sum_{j \neq i} Q_j^* + Q_i \right) - C_i(Q_i), \\
L_k(Q_k^*) &= Q_k P \left( \sum_{j \neq i} Q_j^* + Q_i \right) - C_k(Q_k), \quad k \neq i.
\end{align*}
\]

3. Result Analysis

3.1. Breakeven Analysis. This part takes H enterprise as the research object. The dynamic visualization of CVP analysis chart is realized by using tools such as Excel, which provides a scientific basis for enterprise management decision-making. Firstly, through a large number of literature reading and field case investigation, the collected data are sorted out by using statistical knowledge. Secondly, the CVP analysis model of different products in line with the actual situation of the enterprise is constructed.

When dividing the cost of H enterprise, it is found that the production of the two factories in H enterprise has no influence on each other, so the breakeven point of the two factories is calculated separately during the breakeven analysis.

In which \( \mu = \sum_{i=1}^{n} Q_i Y_i \) is the sales volume, \( n \) is the number of results of sales volume, \( Q_i \) is the sales volume of \( l \) result of product \( t \), and \( Y_i \) is the probability of \( l \) result.

According to Table 1, calculate the weighted average marginal contribution rate of various products in the workshop: \( 81.326\% \times 10.66\% + 18.601\% \times 11.87\% = 10.877\% \)

So the workshop breakeven point sales are \( 455280 \div 10.877\% = 4,185,712.972 \) (yuan).

According to the sales proportion of the two products, the guaranteed amount and safety margin of each product in the workshop are calculated, respectively (see Table 2).

According to the margin of safety in Table 2, the sales volume of the two products in the workshop did not reach the breakeven point, which did not bring profit to the enterprise. However, the marginal contribution rate of the two products in the workshop was positive, so the enterprise should increase its production and sales to make the workshop turn losses into profits.

Dynamic CVP analysis is more detailed in the analysis of fixed costs and pays attention to the process. To some extent, all fixed costs can find cost drivers, which can be the costs that change with their respective cost drivers. In the actual calculation process, the cost-benefit principle is taken into account, and all cost drivers will not be traced, but only those that the company considers to be key and feasible can be considered.

As shown in Figure 3, the plane is the combination plane of capital preservation workload, and any point on the plane represents the capital preservation combination of three workloads. This plane is also the maximum limit of the combination of three kinds of workload, and the combination of three kinds of workload should not exceed this plane; otherwise, the enterprise may lose money due to the unreasonable allocation of enterprise resources. When the combination of the guaranteed sales volume and the guaranteed operation volume of product A reaches the guaranteed state at the same time, product A will truly achieve breakeven.

Similarly, we can analyze the combination of guaranteed sales volume and guaranteed operation volume of product B, which is omitted here. From the analysis, it can be seen that
the actual sales volume of product A has not reached the guaranteed sales volume, and the actual operation consumption has exceeded the guaranteed operation consumption. Product A is actually eroding the profits of enterprises.

Analyze the CVP decision indicators of the following categories, as shown in Figure 4.

It can be seen from the analysis of the combination of guaranteed sales volume and guaranteed operation volume of products A and B that the H weighted average product safety margin of various products of the enterprise is at a normal level. In essence, the margin of safety calculated by the traditional and dynamic CVP analysis models, which indicates the overall production and operation safety of the company, should be the same theoretically. That is to say, CVP analysis is not to change the result of the enterprise, but to trace and analyze the process leading to this result, so as to achieve the purpose of improving the cost and profit.

In the actual calculation of this case, the results of two CVP analysis and calculation are 62.95% and 64.41%, respectively, with certain errors. Because the fixed cost is roughly allocated and a large number of decimal places are reserved in the calculation process, it is normal for the two calculation results to have slight errors.

Dynamic CVP analysis is more conducive to the analysis of each product when the variety structure of an enterprise is unstable. Dynamic CVP analysis can establish the CVP analysis model of each product, analyze and judge each product in detail, avoid the existence of a single product eroding the profits of enterprises, and help enterprises to master all the information of different products and clearly reveal the profitability of various products.

3.2. Dynamic CVP Model Analysis. This paper selects C product data produced by H enterprise as an example. In this section, the changes of cost and unit price are set as random values for simulation analysis and model construction.

The fluctuation of cost is expressed by the mean value of unit variable cost and its standard deviation, and the probability of different unit prices reflects the randomness of prices. When filling in the calculation area, enter the formula of each factor into it, and calculate the sales revenue, variable cost, total cost, profit, and other values. Dynamic CVP analysis breakeven dynamic calculation results are shown in Figure 5.

This figure shows that when the random unit price is 56.39 yuan, the sales volume exceeding 43,206 can satisfy the enterprise’s turning losses into profits on this product. Of course, when sales volume, fixed cost, and other variable factors are linked to controls, or unit cost is randomly assigned to other data, it can change with the data. This group of models can directly show the profit and loss of each
sales volume by means of controls, which is convenient for decision-makers to budget or organize production. The purpose of dynamic concept introduction is to quantify the existing risks as much as possible and to form statistical data on the impact of the risks on the cost and unit price and present them in a probabilistic way, so as to facilitate enterprises to choose production schemes and analyze the feasibility of related activities.

Using the above function, the simulated breakeven point is brought into the safety margin formula, and the business risks of enterprises with different unit prices under a certain sales volume can be obtained. The more tests, the higher the reliability. Because of the limited conditions, this paper simulates 3500 times in total and then counts the simulated results by using the function statistics and counts the times of each safety result. The results are shown in Table 3 and Figure 6.

As can be seen from the figure, the probability that the margin rate of safety of product C is above "safer" is 80.09%, which shows that the product has good profitability. Although the cost and price are easily affected by the outside world, its development prospect cannot be underestimated; if it can successfully open up the market, product C may become the main profit force of the case company.

When an enterprise’s operation needs to be maintained and developed, its lowest point is that the stipulated price is mainly based on the enterprise’s related cost guarantee. Under the current market conditions, on the basis of product price and cost determination, the enterprise is urged to make relevant price limits. Therefore, enterprises should calculate CVP on the premise of multicost factors. Dividing costs into short-term variable costs, long-term variable costs, and fixed costs can meet the business results of enterprises and at the same time effectively increase the accuracy of enterprise management and control. The analysis results are more strategic.

4. Conclusion

To sum up, by using CVP analysis, we can make a comprehensive and in-depth analysis of the current production and operation situation of enterprises, find out the aspects in production and operation that need to be improved urgently, and provide ideas and methods for improvement. Dynamic CVP model analysis expands the application scope of CVP analysis, not only considering the influence of variable cost, fixed cost, production, and sales volume and unit price on cost and profit but also increasing the analysis of workload. According to the functional characteristics of the product cost line, different CVP dynamic models are constructed for it in turn, which is more in line with the actual situation of the product and improves the reliability of data analysis. In the real environment, enterprises need to rely on economies of scale to win if they want to survive and develop. Therefore, when CVP is used to make business decisions and financial management for enterprises, the introduction of net present value method can increase the timeliness and accuracy of analysis, which is more practical. However, the research still has some limitations. In real economic life, the number of buyers and sellers is often very limited. In the case of limited quantity, the market cannot compete completely. In order to establish CVP (cost volume profit) analysis theory, we must make some strict restrictions
on the above complex relationship. This part needs further discussion and analysis in future research.

Data Availability

The data used to support the findings of this study are available from the corresponding author upon request.

Conflicts of Interest

The author declares that there are no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

References


