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ACHME LABOTORIES LTD

Our heritage and principles are the foundation of our mission to ensure health, vigour and Happiness.

OCTOBER , 2024

PREPARED BY

Sakil Ahmed
20 FIN 045

PREPARED FOR

Md. Erfan
Assistant Professor
Department of Computer
Science and Engineering

COVER
PAGE

FOR
BU-CSE DIGITAL SKILLS TRAINING

05/10/2024

Letter Of Transmittal

5 OCTOBER, 2024

Md. Erfan

Assistant Professor,

Department of Finance and Banking

University of Barisal

Subject: Submission of report on “Managerial Accounting and cost concept, Cost-Volume- profit Relationships”

Dear SIR,

Here is the report that I assigned on the topic as per your instruction. The report has been completed by the knowledge that we have gathered from the course “Managerial Accounting ”. I have tried to answer all the questions that you have about the report. I would be happy if you read the report carefully. I have tried my level best to complete this report meaningfully and correctly, as much as possible. The prime focus of the report is to give a clear concept of acquire knowledge from “Managerial Accounting”. However, I will always be ready to provide any further clarification that you may require. I am thankful once again if you please give your advice on our effort.

Sakil Ahmed

Yours obediently,

Sakil Ahmed Saon

Id No: 20 FIN 045

Department of Finance and Banking

University of Barishal

Acknowledgement

First of all, I would like to express my gratitude to almighty to enabling me to complete this report of “**A Comprehensive Analysis of Cost Structure, Profitability and CVP analysis for ACME Laboratories Ltd.**”. Successfully completion of any type of report requires help from a number of persons. I have also taken help from different people for the preparation of the report. Now there is a little effort to show my deep gratitude to that helpful person. I convey our sincere gratitude to my course instructor **Md. Erfan**, Assistant professor of department of Computer Science and Engineering, University of Barisal. Without his kind direction and proper guidance this study would have been a little success. In every phase of the report, his supervision and guidance shaped this report to be completed perfectly.

Bona-fide Certificate

This is to inform that study of "**A Comprehensive Analysis of Cost Structure, Profitability and CVP analysis for ACME Laboratories Ltd.**", is a bona fide work of **Sakil Ahmed Saon,** who carried out the research under my supervision. Certified further that to the best of my knowledge the work reported here is not from part of any other project report or dissertation the basis of which a degree or award was conferred on an earlier occasion on this.

He is permitted to submit this report.

____

Signature

Md. Erfan

Assistant Professor,

Computer Science and Engineering

University of Barisal

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Chapter :- 1

Introduction

Our heritage and principles are the foundation of our mission to ensure health, vigour and happiness.

ACME Laboratories Ltd. Is a prominent pharmaceutical company with a longstanding reputation for excellence. Founded in 1954, ACME leverages its 67 years of expertise in medicine and science to develop and manufacture over 800 high-quality medicines across various therapeutic categories. Their commitment to quality is reflected in their certifications, which include US FDA, UK MHRA, TGA Australia, and WHO. With a workforce exceeding 7,000 employees, ACME's success extends beyond the local market, achieving a firm presence in Southeast Asia, Africa, and Central America. Driven by a dedication to patient well-being, customer success, and global healthcare advancement, ACME is poised for continued growth.

Objectives of ACME Laboratories Ltd.

Market Leadership and Growth:

➡ **Market Share Potential:** With over 800 products across various categories, ACME is well-positioned to capture a significant share of the growing Bangladeshi pharmaceutical market, especially considering the rising demand for affordable healthcare solutions.

➡ **International Expansion:** ACME's existing international presence suggests potential for further expansion, particularly in emerging markets with similar healthcare needs and affordability concerns. This could lead to increased revenue and brand recognition.

Product Development and Innovation:

➡ **Focus on Ethical Drugs:** ACME's commitment to ethical drug manufacturing aligns with the global emphasis on responsible pharmaceutical practices. This focus could attract partnerships with international healthcare organizations and research institutions, fostering innovation.

➡ **Investment in R&D:** Developing new and improved medications could solidify ACME's position as a leader in the Bangladeshi market and potentially lead to breakthroughs that benefit the international community.

Social Responsibility and Sustainability:

□ **Affordability Initiatives:** Acme's focus on affordable medications can contribute to improved health outcomes in Bangladesh, particularly for underserved communities. This focus on social responsibility aligns with global healthcare goals.

□ **Environmental Practices:** Implementing sustainable manufacturing practices could enhance Acme's brand image and attract environmentally conscious consumers and investors.

ACME Laboratories Ltd.: Applying Managerial Accounting Practices for Success

Costing and Cost Management: With a vast product portfolio, ACME probably utilizes costing methods like activity-based costing (ABC) to pinpoint the exact costs associated with developing, producing, and distributing each medication. This granular cost analysis allows ACME to make informed decisions regarding pricing strategies, resource allocation, and cost-reduction initiatives.

Budgeting and Forecasting: Managerial accounting principles likely play a vital role in creating budgets for various functions like research & development, production, marketing, and administrative tasks. These budgets serve as financial roadmaps, setting goals, allocating resources, and monitoring performance. ACME would likely use forecasting techniques to predict future sales, production needs, and potential market fluctuations.

Performance Measurement: ACME likely leverages managerial accounting tools to track key performance indicators (KPIs) that measure their operational efficiency. These KPIs might include production efficiency, profitability of individual products, and marketing return on investment (ROI). Analyzing these metrics helps identify areas for improvement and empowers data-driven decision-making.

Cost-Volume-Profit (CVP) Analysis: CVP analysis is a cornerstone of managerial accounting, helping businesses understand the critical link between cost, volume, and profit. ACME likely utilizes CVP analysis to determine optimal pricing strategies, production levels, and identify sales targets that maximize profits. A key aspect of CVP analysis is determining the breakeven point, the sales volume at which total costs equal total revenue. By analyzing their breakeven point, Acme can make informed decisions about product lines, marketing campaigns, and resource allocation.

Significance of Studying ACME Laboratories Ltd.

Understanding ACME Laboratories Ltd. Can be significant for several reasons:

Market Insights: ACME , a leading Bangladeshi pharmaceutical company, offers valuable insights into the growth and dynamics of the Bangladeshi pharmaceutical industry. Studying their strategies can shed light on market trends and opportunities in this emerging market.

Global Pharmaceutical Landscape: ACME's international presence allows us to explore how Bangladeshi companies are competing in the global pharmaceutical market. Analysing their approach can inform broader discussions on affordability, accessibility, and ethical drug manufacturing.

Managerial Accounting Application: While specific details are limited, exploring how ACME might utilize managerial accounting practices like costing, budgeting, and CVP analysis provides a valuable case study. This showcases the importance of these practices for pharmaceutical companies navigating a competitive landscape.

Social and Ethical Considerations: ACME's focus on affordable medications aligns with global healthcare goals. Studying their approach can inform discussions on balancing affordability with ethical drug manufacturing practices.

Future of Pharmaceuticals: ACME's potential areas of growth, such as further international expansion or R&D investment, offer a glimpse into the future trajectory of the Bangladeshi pharmaceutical industry and its potential impact on the global market.

Limitations of Studying ACME Laboratories Ltd. From a Managerial Accounting Perspective

While studying ACME offers insights, limitations exist when specifically considering managerial accounting practices:

Limited Visibility into Internal Practices: Public information likely doesn't reveal the specific costing methods (e.g., ABC, standard costing) ACME uses or the details of their budgeting and forecasting processes. This hinders understanding their cost management strategies and financial planning approaches.

Uncertain Application of CVP Analysis: While CVP analysis is likely used, details on how ACME uses it to determine optimal pricing, production levels, and breakeven points are unavailable. This limits understanding their approach to profit maximization.

Performance Measurement Opacity: Specific KPIs (key performance indicators) used by ACME to measure operational efficiency (e.g., production efficiency, product profitability) are likely not publicly disclosed. This makes it difficult to assess their performance management practices.

These limitations restrict a full exploration of how ACME leverages managerial accounting for strategic decision-making.

Methodology: Exploring Managerial Accounting Practices at ACME Laboratories Ltd.

This study explores how ACME Laboratories Ltd. Might utilize managerial accounting practices, acknowledging limitations in publicly available financial data. Here's the outline:

Data Collection:

➡ **Primary Source :** ACME's annual reports or other financial statements will be used to identify relevant data points, including:

- Cost of Goods Sold (COGS): This data will help classify variable production costs associated with medication manufacturing (e.g., materials, direct labor).
- Operating Expenses: This category will provide insights into potential fixed costs (e.g., rent, administrative salaries, depreciation).
- Sales Revenue: This data is crucial for Contribution Margin and CVP analysis.

➡ **Secondary Sources:** Industry benchmarks, average cost structures for pharmaceutical companies, and general accounting principles will be used to supplement data collection when primary data is limited

Data Analysis:

➡ **Variable and Fixed Cost Classification**:

- Analysis: Based on the collected data or industry benchmarks, we will classify ACME's costs as variable or fixed. Variable costs will change in proportion to production volume (e.g., raw materials), while fixed costs remain constant within a relevant range (e.g., rent). This classification is crucial for further analysis.

➡ **Contribution Margin Analysis:**

- Analysis: Assuming or using collected data on sales revenue and variable costs, we will calculate the contribution margin per unit of medication produced. This metric represents the amount available to cover fixed costs and generate profit after variable costs are covered.

➡ **CVP Analysis (Cost-Volume-Profit Analysis):**

- Analysis: Using the classified costs (variable and fixed) and contribution margin (if sales revenue data is available), we can construct a CVP graph. This will illustrate the relationship between sales volume, costs, and profit. The breakeven point, the sales volume at which total costs equal total revenue, can also be determined using CVP analysis.

➡ **Leverage (DOL) Analysis (Degree of Operating Leverage):**

- Analysis: Based on the classified costs, we can calculate ACME's degree of operating leverage (DOL). This metric indicates how changes in sales volume will impact operating profit. A higher DOL signifies that a small change in sales volume will lead to a larger change in operating profit (positive or negative).

➡ **Margin of Safety Analysis:**

- Analysis: Assuming or using actual sales volume data, we can calculate ACME's margin of safety. This metric represents the difference between current sales volume and the breakeven point. A higher margin of safety indicates a larger buffer zone for absorbing potential declines in sales volume before incurring losses.

Assumptions and Limitations:

- This exploration relies on industry benchmarks and may not reflect ACME's specific practices due to limited data availability.
- Transparency is crucial. It's important to acknowledge that these are potential applications based on industry standards and the collected data, not a definitive analysis of ACME's actual practices.
- The inherent limitations of CVP analysis acknowledged, including the assumption of linear cost behaviour. This study recognizes that real-world cost structures may exhibit non-linear characteristics.

Software and Tools:

Microsoft Office Suite (MS Word & MS Excel) will be used for calculations and visualizations to present the analysis results clearly.

Chapter :- 2

ACME Laboratories Ltd.: Organization Profile

Company Background:

- Founded in 1954 as a proprietorship firm, ACME Laboratories Ltd. (ACME) is a leading Bangladeshi pharmaceutical company.
- In 1976, it converted into a private limited company and became a public limited company in 2011.
- The company is part of the ACME Group of Companies.
- Mizanur Rahman Sinha is the managing director and largest shareholder of the company, with Nagina Afzal Sinha serving as the chairperson.

Operations and Products:

- ACME manufactures over 800 pharmaceutical products across various therapeutic categories. This includes medications for anti-infective, cardiovascular issues, diabetes, gastrointestinal problems, and respiratory diseases.
- They cater to both domestic and international markets, with a presence in the United Kingdom and the United States.
- ACME operates under the trading code ACMELAB on the Dhaka and Chittagong Stock Exchanges.

Focus and Mission:

- ACME emphasizes ethical drug manufacturing practices, aligning with global healthcare initiatives.
- Their commitment is to provide high-quality and affordable medications, aiming to improve health outcomes in Bangladesh.

Potential Areas of Strategic Advantage:

- **Market Share Potential:** With a vast product portfolio, Acme is positioned to capture significant share of the growing Bangladeshi pharmaceutical market.
- **International Expansion:** Existing international presence suggests potential for further expansion, particularly in emerging markets with similar healthcare needs.
- **Focus on Ethical Drugs and Affordability:** ACME's commitment aligns with global healthcare goals and could attract partnerships with international organizations.
- **Investment in R&D:** Developing new and improved medications could solidify ACME's position and potentially lead to breakthroughs that benefit the international community.

Nature of Business: ACME Laboratories Ltd.

Manufacturer: Acme manufactures a vast array of pharmaceutical formulations exceeding 800 products. Their focus is on human drugs delivered through various dosage forms (tablets, capsules, liquids, etc.).

Distributor: ACME distributes its manufactured medications within Bangladesh and internationally

Pharmaceutical Company: Combining manufacturing and distribution of pharmaceutical products confirms ACME's core business as a pharmaceutical company.

Vision, Mission & Core Values

VISION:

To ensure Health, Vigor and Happiness

MISSION:

Our holistic approach is to ensure Health, Vigor and Happiness for all through manufacturing finest quality ethical drugs and medicines at affordable price with continuous expansion in the local and global market. We love to mingle ourselves as partners with healthcare professionals, customers, stakeholders & employees and we promise to maintain the environmental harmony at our best.

CORE VALUES:

Our company values are the measure of our thoughts and actions. These core values had tied us together in the past, continuously facilitating our present and motivating us to explore the future. We are devoted to these core values in our entire business operations.

Bangladesh's Booming Economy: Growth, Challenges, and the Road Ahead (May 2024)

Soaring Growth: Bangladesh's economy boasts consistent growth over two decades, with forecasts predicting a 6.1% increase in GDP for 2024 (ADB).

Sectorial Strength: The services sector reigns supreme, contributing over 55% to GDP, followed by a robust manufacturing sector at 21% (2021).

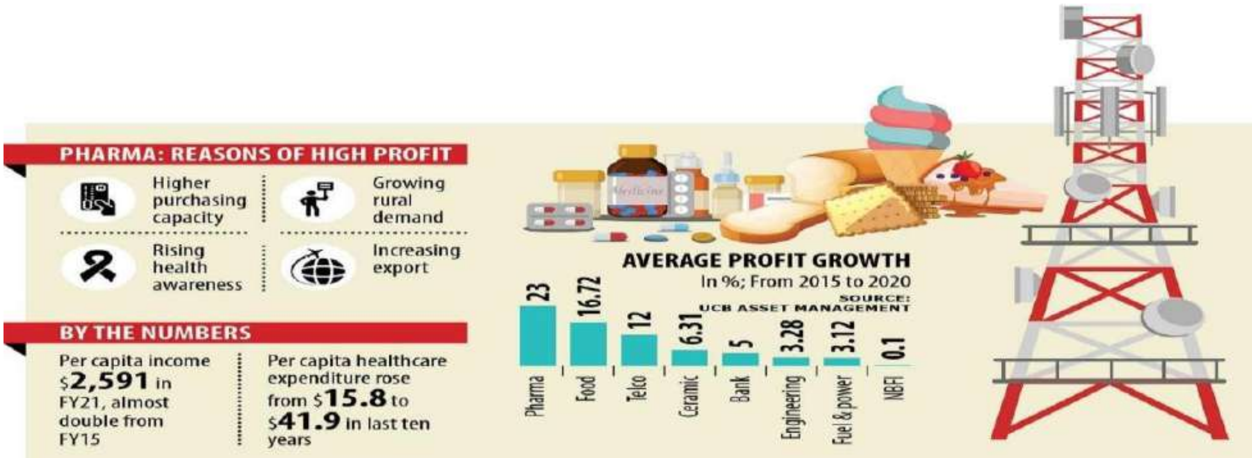
Trade Powerhouse: Ready-made garments (RMG) dominate exports, exceeding 84% in FY23, while remittances from Bangladeshis abroad remain a vital source of foreign currency.

Inflationary Hurdles: Inflation poses a challenge, with forecasts of 8.4% in 2024 (ADB).

Diversification Needed: Over-reliance on RMG and remittances exposes the economy to external market fluctuations.

Promising Future: Bangladesh's economic trajectory remains positive, but managing inflation and diversifying exports are crucial for long-term success.

Industry Scenario and Future Outlook of the Industry



Acme Laboratories Ltd. Stands tall as a leading player in Bangladesh's booming pharmaceutical industry.

Market Dominance: With over 800 medications across various categories, Acme caters to a wide range of healthcare needs domestically.

Global Reach: Their presence in the UK and US highlights the potential for further international expansion.

Ethical Focus: Acme's commitment to affordable and ethical drug manufacturing aligns with global healthcare goals, attracting potential partnerships.

The Future Looks Bright:

- **Market Growth:** Bangladesh's pharmaceutical market is projected to reach $6.8 billion by 2025, presenting a vast opportunity for Acme.
- ➡ **R&D Investment:** Investing in research and development can solidify Acme's position and lead to breakthroughs impacting global health.

Challenges to Consider: ➡ **Limited Public Information:** Transparency in financial data and operational practices is crucial for attracting investors and navigating competition.

Incentives for Bangladesh's Pharma Giants

Bangladesh's pharmaceutical industry is experiencing a boom, and the government is actively courting private companies to fuel this growth. Here's a look at the key incentives that make Bangladesh an attractive destination for pharmaceutical giants like ACME Labs:

Tax Breaks & Duty Exemptions: Companies benefit from reduced corporate income tax rates and import duty exemptions on crucial elements like capital machinery and raw materials. This translates to higher profits and increased investment in the sector.

Export Support: Recognizing the global potential of Bangladeshi pharmaceuticals, the government offers incentives specifically tailored to export-oriented industries. This empowers companies like Acme to compete effectively in the international market.

Strategic Partnerships: Public-Private Partnerships (PPPs) are actively encouraged. By collaborating with the government on healthcare projects, pharmaceutical companies gain access to new opportunities and contribute to improving public health infrastructure.

Beyond Incentives: The allure of Bangladesh extends beyond financial benefits. The country boasts a large and skilled workforce, making it easier for companies to find qualified personnel. Additionally, a burgeoning domestic market fueled by rising healthcare needs offers immense sales potential.

These incentives aim to:

- **Fuel Industry Growth:** Attract investment and accelerate pharmaceutical sector expansion.
- **Enhance Affordability:** Encourage local production of essential medicines at competitive prices.
- **Boost Exports:** Make Bangladeshi pharmaceuticals more attractive in the global market.

Chapter :- 3

Annual Report and the Quarterly Financial Statements

The ACME Laboratories Limited

Statement of Profit or Loss and Other Comprehensive Income (Un-Audited)

For the period ended 30 September 2022

Amount in Taka

PARTICULARS	Notes	First Quarter Ended July'22 to September'22	First Quarter Ended July'21 to September'21
Revenue		6,587,866,228	5,940,284,975
Less: Cost of Goods Sold	11	3,973,188,348	3,599,853,076
Gross Profit/(Loss)		**2,614,677,880**	**2,340,431,899**
Add: Other Income		(8,779,815)	10,369,825
		2,605,898,065	**2,350,801,724**
Less: Selling, Marketing and Distribution Expenses	12	1,140,060,971	993,169,035
		1,465,837,094	**1,357,632,689**
Less: Administrative Expenses	13	240,256,413	195,577,120
		1,225,580,681	**1,162,055,569**
Less: Financial Expenses		379,394,278	334,025,084
Profit Before Contribution to WPPF and WWF		**846,186,403**	**828,030,485**
Less: Contribution to WPPF and WWF		40,294,591	39,430,023
Net Profit Before Tax		**805,891,812**	**788,600,462**
Less: Current Tax Expenses		184,000,814	189,533,331
Less: Deferred Tax (Income)/Expenses		2,086,684	11,949,856
Net Profit After Tax		**619,804,314**	**587,117,275**
Other Comprehensive Income			
Gain/(Loss) on Marketable Securities (Unrealized)		(1,473,030)	2,705,366
Total Comprehensive Income for the year		**618,331,284**	**589,822,641**
Earnings Per Share (on the Equity share of Tk. 10 each)	14	2.93	2.77

The ACME Laboratories Limited

Statement of Financial Position (Un-Audited)

As at 30 September 2022

	NOTES	Amount in Taka As at 30-09-2022	Amount in Taka As at 30-06-2022
ASSETS			
Non-Current Assets :		**26,217,834,222**	**25,631,867,153**
Property, Plant and Equipment	3	26,072,116,163	25,482,863,887
Right-of-Use Assets		114,307,281	116,116,552
Intangible Assets		969	3,875
Investment in Securities		31,409,809	32,882,839
Current Assets:		**18,356,654,452**	**17,343,019,174**
Inventories	4	7,133,781,975	5,813,348,745
Trade Receivable	5	2,245,488,596	2,236,356,282
Other Receivable		19,825,964	19,806,550
Advance, Deposits & Pre-Payments	6	2,852,292,599	2,801,297,508
Advance Income Tax		3,220,945,369	3,119,571,359
Material In Transit		1,316,620,099	2,065,588,465
Term Deposit		48,649,216	48,141,777
Cash and Cash Equivalents	7	1,519,050,634	1,238,908,488
TOTAL ASSETS		**44,574,488,674**	**42,974,886,327**
EQUITY AND LIABILITIES			
Shareholders' Equity :		**22,308,593,122**	**21,690,114,535**
Share Capital	8	2,116,017,000	2,116,017,000
Share Premium		5,127,599,728	5,127,599,728
Revaluation Surplus		5,124,018,352	5,136,046,235
Gain/(Loss) on Marketable Securities (Unrealized)		4,714,156	6,039,883
Tax Holiday Reserve		179,464,241	179,464,241
Retained Earnings		9,756,779,645	9,124,947,448
Non Current Liabilities:		**5,925,332,622**	**5,847,104,275**
Long Term Loan- Net off Current Maturity		4,197,105,971	4,174,567,982
Long Term Lease Liability		75,803,611	73,197,775
Provision For Gratuity		742,896,818	691,751,677
Deferred Tax Liability		909,526,222	907,586,841
Current Liabilities:		**16,340,562,930**	**15,437,667,517**
Loans & Overdrafts		10,155,122,899	9,383,189,695
Current Maturity of Long Term Loans		2,246,977,057	2,328,221,640
Trade Payable		459,095,371	448,995,103
Provision for Income Tax		2,845,468,318	2,661,467,504
Current Lease Liability		19,237,882	22,332,335
Liability for Expenses and Others		610,613,589	589,083,867
Dividend Payable	17	4,047,814	4,377,373
Unclaimed Dividend Account	18	-	-
TOTAL EQUITY AND LIABILITIES		**44,574,488,674**	**42,974,886,327**
Net Asset Value Per Share (NAVPS)	9	**105.43**	**102.50**

The ACME Laboratories Limited

Statement of Changes in Equity (Un-Audited)

For the period ended 30 September 2022

(Amount in Taka)

Particulars	Share Capital	Share Premium	Revaluation Surplus	Gain/(loss) on Marketable Securities (Unrealized)	Tax Holiday Reserve	Retained Earnings	Total
Balance as at July 01, 2022	2,116,017,000	5,127,599,728	5,136,046,235	6,039,883	179,464,241	9,124,947,448	21,690,114,535
Net Profit after Tax for the Period ended 30 September 2022	-	-	-	-	-	619,804,314	619,804,314
Revaluation during the year	-	-	-	-	-	-	-
Final Dividend for the year 2021-2022	-	-	-	-	-	-	-
Gain/(loss) on Marketable Securities (Unrealized)	-	-	-	(1,473,030)	-	-	(1,473,030)
Adjustment for Depreciation on Revaluation Surplus & Others	-	-	(12,027,883)	-	-	12,027,883	-
Deferred Tax on Unrealized Gain/Losses on Investment in Securities	-	-	-	147,303	-	-	147,303
Balance as at 30 September 2022	**2,116,017,000**	**5,127,599,728**	**5,124,018,352**	**4,714,156**	**179,464,241**	**9,756,779,645**	**22,308,593,122**
Balance as at 30 September 2021	**2,116,017,000**	**5,127,599,728**	**5,140,492,491**	**10,840,436**	**179,464,241**	**8,125,733,234**	**20,700,147,130**

The ACME Laboratories Limited

Notes to the Financial Statements (Un-Audited)
As at & for the period ended 30 September 2022

1 Reporting Entity

The ACME Laboratories Ltd. was founded in the year 1954 as a Proprietorship Firm and it was converted into a Private Limited Company on 17th March 1976 vide registration no. C-4745/163 of 1975-76 under the Companies Act-1913. Further, it was converted into a public limited company on 30th November 2011.

2 Basis of Preparation of Financial Statements

These interim financial statements should be read in conjunction with the Annual Financial Statements for the Year ended 30 June 2022, as they provide an update of previously reported information.

These financial statements have been prepared in accordance with Framework, applicable International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs), Companies Act 1994, Bangladesh Securities and Exchange Rules 1987 and other relevant laws and regulations applicable in Bangladesh. The presentation of the Interim Financial Statements is consistent with the Annual Financial Statements. Previous period's figures have been regrouped/reclassified wherever considered necessary to confirm to current Period's presentation. Figures have been rounded off to the nearest taka, as the currency represented in these financial statements.

3 Property Plant and Equipment	Amount in Taka As at 30-09-2022	As at 30-06-2022
Opening Balance	34,629,559,933	32,824,117,591
Add: Addition (Net off Adjustment) during the Period	933,684,503	1,805,442,342
Less: Accumulated Depreciation (Net off Adjustment)	9,491,128,273	9,146,696,046
Carrying Value	**26,072,116,163**	**25,482,863,887**

The ACME Laboratories Limited

Notes to the Financial Statements (Un-Audited)
As at & for the period ended 30 September 2022

	Amount in Taka As at 30-09-2022	As at 30-06-2022
4 Inventories		
This consists of as follows:		
Raw Materials	3,432,933,766	2,230,385,076
Packing Materials	1,231,865,521	1,107,509,885
Work-in-Process	549,195,584	581,931,525
Finished Goods	1,464,699,968	1,450,565,230
Printing & Stationery	15,808,260	16,111,432
Spare, Accessories & Others	439,278,876	426,845,597
Total	**7,133,781,975**	**5,813,348,745**
5 Trade Receivable		
Domestic	1,921,180,849	1,920,180,849
Exports	289,973,629	291,368,977
	2,211,154,478	2,211,549,826
Foreign exchange Unrealized Gain	34,334,118	24,806,456
	2,245,488,596	**2,236,356,282**
6 Advances, Deposits and Prepayment		
Advances	2,130,505,379	2,079,467,096
Deposit	714,602,594	707,820,827
Prepayments	7,184,626	14,009,585
	2,852,292,599	**2,801,297,508**
7 Cash and Cash Equivalents		
This is made up as follows :		
Cash in Hand	707,985,089	689,807,243
Cash at Bank	810,609,161	548,908,869
Cash at BO Account	456,384	192,376
	1,519,050,634	**1,238,908,488**

The ACME Laboratories Limited

Notes to the Financial Statements (Un-Audited)
As at & for the period ended 30 September 2022

	Amount in Taka As at 30-09-20	As at 30-06-2022
8 Share Capital :		
This is arrived at as follows :		
a) Authorized Capital : Tk 5,000,000,000		
500,000,000 Ordinary share of Tk. 10 each	5,000,000,000	5,000,000,000
b) Issued, Subscribed and Paid - up Capital:		
211,601,700 Ordinary Shares @ Tk. 10 each	2,116,017,000	2,116,017,000
	2,116,017,000	**2,116,017,000**
c) Movement in Number of Ordinary Shares is as under:		
Opening Balance	211,601,700	211,601,700
Add: Issued during the Period	-	-
Closing Balance	211,601,700	211,601,700

9 Calculation of Net Asset Value (NAV) per ordinary share of Tk. 10 each:

A	Total Equity of the Company	22,308,593,122	21,690,114,535
B	Total Number of outstanding ordinary share at the end of the period	211,601,700	211,601,700
C	Net Asset Value per Ordinary Share (A/B) rounded of upto two decimal places	**105.43**	**102.50**

10 History of allotment of Shares by the Company:

Date of Allotment	Particulars of allotment	Number of ordinary shares alloted	Face Value (Tk)	Amount of Share Capital(Tk.)
17.03.1976	First (Subscription to the Memorandum and Articles of Association at the time of Incorporation)	600	10	6,000
16.05.1976	Second	29,500	10	295,000
10.08.1989	Third	300,000	10	3,000,000
29.11.2006	Fourth	9,669,900	10	96,699,000
05.05.2011	Fifth	106,000,000	10	1,060,000,000
20.05.2013	Sixth	39,631,100	10	396,311,000
26.11.2013	Seventh	5,970,600	10	59,706,000
15.05.2016	Eighth	50,000,000	10	500,000,000
		211,601,700		**2,116,017,000**

	Amount in Taka July 22 to September 22	July 21 to September 21
11 Cost of Goods Sold		
Material Consumption during the period	**3,065,149,292**	**2,746,439,924**
Factory Overhead	922,173,794	868,735,773
Cost of Production	**3,987,323,086**	**3,615,175,697**
Purchase of Finished Goods	-	-
Opening Stock of Finished Goods	1,450,565,230	1,225,437,654
Finished Goods Available	**5,437,888,316**	**4,840,613,351**
Closing Stock of Finished Goods	(1,464,699,968)	(1,240,760,275)
Cost of Goods Sold	**3,973,188,348**	**3,599,853,076**
12 Selling, Marketing and Distribution Expenses		
Salary, Daily Wages and Other Allowances	796,512,293	667,781,232
Depreciation and others	343,548,678	325,387,803
	1,140,060,971	**993,169,035**
13 Administrative Expenses		
Salary, Daily Wages and Other Allowances	126,304,029	111,945,744
Depreciation and others	113,952,384	83,631,376
	240,256,413	**195,577,120**
14 Basic/Diluted Earning Per Share (EPS):		
Net Profit After Tax	619,804,314	587,117,275
Weighted average number of shares outstanding during the period	211,601,700	211,601,700
Basic Earnings Per Share	2.93	2.77
15 Net Operating Cash Flows Per Share:		
Net cash generated from operating activities	532,646,832	797,261,833
Weighted average number of shares outstanding during the period	211,601,700	211,601,700
Net Operating Cash Flows Per Share	2.52	3.77

Due to increase of inventory along with the increase of Financial Expenses, the resultant Net Operating Cash Flows per Share during the period has been decreased comparing to the previous year.

16 Reconciliation of Net Income or Net Profit with Cash Flows from Operating Activities-Indirect Method

	July 22 to September 22	July 21 to September 21
Net Profit after Tax	619,804,314	587,117,275
Add: Non Cash Items	355,566,988	367,941,715
Less: Net Increase/Decrease in Current Asset	711,439,796	411,644,965
Add: Net Increase/Decrease in Current Liabilities	266,775,945	241,627,415
Add: Deferred Tax Liability (Created during the period)	1,939,381	12,220,393
Net cash generated from operating activities-Direct Method	**532,646,832**	**797,261,833**

17 Dividend Payable

As per BSEC Directive no.BSEC/CMRRCD/2021-386/03 dated 14th January, 2021 Dividend payable not more than 03 years are as follows:

S.L	Financial Year	Dividend	of Divide	No. of BO	Date of AGM	Dividend Payable (Tk.)
1	2018-2019	Cash	35%	1,579	12.12.2019	1,382,306
2	2019-2020	Cash	25%	1,527	10.12.2020	1,052,343
3	2020-2021	Cash	25%	1,283	26.12.2021	1,613,165
	Dividend Payable as at 31 March 2022					**4,047,814**

18 Unclaimed Dividend Account

Referring to the BSEC Directive no.BSEC/CMRRCD/2021-386/03 dated 14th January, 2021 Unclaimed dividend of more than 03 years as at 31 March 2022 is as under:

S.L	Financial Year	Dividend	% of Dividend	No. of BO	Date of AGM	Unclaimed Dividend (Tk.)
1						-
	Unclaimed Dividend as at 30 September 2022					-

Cost classifications

Direct cost: In managerial accounting, direct costs are expenses that can be directly traced to a specific product, service, or department. These costs have a clear cause-and-effect relationship with the production or delivery of the cost object. Understanding direct costs is crucial for businesses to accurately calculate product or service profitability and make informed decisions.

Here's a breakdown of direct costs with an example:

Easily traced: Unlike indirect costs (factory rent, utilities), direct costs have a clear link to the cost object. There's minimal ambiguity in assigning them.

Examples:

- Direct materials: Raw materials that physically become part of the final product. For instance, wood for a table or fabric for a dress.
- Direct labor: Wages paid to workers directly involved in producing the good or service. Assembly line workers or hairdressers would be considered direct labor.

By identifying direct costs, managers can:

- Cost control: Monitor and manage expenses associated with specific products or services.
- Pricing decisions: Accurately factor in direct costs when determining product or service prices.
- Performance evaluation: Assess the efficiency of production processes by analyzing direct costs per unit produced.

Indirect cost: In managerial accounting, indirect costs, also known as overhead costs, are expenses that can not be directly linked to a specific unit of product or service. These costs are essential for the overall operations of the business but are incurred for the benefit of multiple products or departments. Accurately allocating indirect costs is crucial for getting a complete picture of a product or service's profitability.

Here's a closer look at indirect costs with some examples:

- Difficult to trace: Unlike direct costs, it's challenging to pinpoint exactly how much of an indirect cost is associated with a particular product.

Examples:

- →Manufacturing overhead: This includes a wide range of expenses necessary for production, but not directly tied to a single unit. Examples include factory rent, utilities, depreciation of machinery, and salaries of supervisors.
- →Selling, general & administrative (SG&A) expenses: These encompass costs associated with running the business as a whole, such as marketing, advertising, accounting, and human resources.

Indirect costs play a vital role in managerial accounting because:

- →Cost allocation: They are allocated to products or services using predetermined allocation methods, providing a more comprehensive cost picture.
- →Decision-making: Understanding indirect costs helps managers make informed decisions about pricing, budgeting, and resource allocation.
- →Performance evaluation: By analyzing indirect costs, managers can assess overall operational efficiency and identify areas for cost reduction.

Manufacturing cost: Manufacturing cost refers to the total sum of expenses incurred in transforming raw materials into finished products. It essentially captures all the resources consumed during the production process. In managerial accounting, understanding manufacturing cost is vital for businesses to:

- →Calculate profitability: By subtracting manufacturing cost from the selling price, businesses can determine the gross profit margin on each product.
- →Set prices: Manufacturing cost serves as a crucial baseline for setting competitive and profitable product prices.
- →Identify cost-saving opportunities: Analyzing manufacturing costs helps pinpoint areas for improvement and potential cost reductions.

Manufacturing cost is typically broken down into three main categories:

1. **Direct Materials Cost:** The cost of raw materials that become a physical part of the finished product. Examples include wood for furniture, fabric for clothing, or flour for bread.
2. **Direct Labor Cost:** The wages and benefits paid to workers directly involved in assembling or creating the product. This includes factory line workers, welders, or machine operators.
3. **Manufacturing Overhead:** This category encompasses all the indirect costs associated with production that cannot be directly traced to a single unit. It includes expenses like:

4. **Indirect Labor Cost:** Salaries of supervisors, quality control personnel, and material handlers.
5. **Indirect Materials Cost:** Consumables used in production that aren't part of the final product, like lubricants, grease, or fasteners.
6. **Other Factory Costs:** Rent, utilities, depreciation of machinery, property insurance, and factory supplies.

By understanding these components of manufacturing cost, businesses can make informed decisions about production processes, resource allocation, and pricing strategies.

Nonmanufacturing cost: In managerial accounting, non-manufacturing costs are all the expenses a business incurs that are not directly related to the production of goods. These costs are essential for the overall operation and function of the business but don't contribute to the physical transformation of raw materials into finished products.

Here's a breakdown of non-manufacturing costs:

➡ Not product-related: Unlike manufacturing costs, non-manufacturing costs cannot be directly tied to a

➡ Specific unit of product. They benefit the entire business rather than a single product line.

Examples:

➡ Selling expenses: These costs are associated with generating sales and promoting products or services. Examples include advertising, sales commissions, salaries of sales staff, and travel expenses for sales representatives.

➡ General and administrative (G&A) expenses: These encompass all the costs associated with running the day-to-day operations of the business that aren't directly tied to production or sales. Examples include rent, utilities, salaries of administrative staff, accounting fees, and legal fees.

➡ Interest expense: This includes the cost of borrowing money, such as interest on loans or bonds.

Key takeaway: While non-manufacturing costs aren't directly tied to production, they are essential for a business to function. Understanding and managing these costs effectively is crucial for overall profitability and informed decision-making.

Cost classification for preparing financial statement

Product costs: All costs that are involved in acquiring or making a product. In the case of manufactured goods,

These costs consist of :

- direct materials,
- direct labor,
- and manufacturing over head.

Period cost: Period costs that are taken directly to the income statement as expenses in the period in which they are incurred or accrued.

These costs consist of :

- selling expense
- administrative expense

Prime cost: is the sum of direct materials cost and direct labor cost.

[Direct materials + Direct labor].

Conversion cost : is the sum of direct labor cost and manufacturing overhead cost. The term

conversion cost is used to describe direct labor and manufacturing overhead because these costs are incurred to convert materials into the finished product.

[Direct labor + Manufacturing overhead].

Traditional format and contribution format income statement

ACHME laboratories Ltd. Traditional Format income statement

INCOME STATEMENT

As at 30 September, 2023

Particulars	Amounts
Revenue	6,587,866,228
Cost of Goods Sold	(3,973,188,348)
Gross Profit	2,614,677,880
Other Income	(8,779,815)
Selling, Marketing & Distribution Exp. (1,140,060,971)	(1,140,060,971)
Administrative Expenses	(240,256,413)
Operating Profit	1,225,580,681
Financial Expenses	(379,394,278)
Profit Before Tax	846,186,403

ACHME laboratories Ltd. Contribution Format income statement

INCOME STATEMENT

As at 30 September, 2023

Particulars	Amount
Revenue	6,587,866,228
Variable Expense : **Cost of Goods Sold**	(3,973,188,348)
Variable Selling & Distribution Exp.	(684,036,583)
Contribution Margin	1,930,641,297
Fixed Expenses: **Fixed Selling and Administrative Exp.**	(456,024,388)
Administrative Expenses	(240,256,413)
Other Income	8,7709,815
Operating profit	1,242,140,311
Financial Expenses	(379,394,278)
Profit Before Tax	863,746,033

Chapter: - 4

Cost volume profit

Cost-volume-profit (CVP) analysis, also known as break-even analysis, is a financial tool used to understand the relationship between costs, sales volume, and profit. It helps businesses determine how many units they need to sell to cover their costs (break even) and start making a profit.

Here's a breakdown of the three key terms in CVP analysis:

➡ **Cost:** This includes both fixed costs and variable costs. Fixed costs are expenses that remain constant regardless of production volume, such as rent, salaries, and insurance. Variable costs, on the other hand, change with the level of production, such as materials and direct labor.

➡ **Volume:** This refers to the number of units produced and sold by the business.

➡ **Profit:** This is the net income earned by the business after all costs have been subtracted from total revenue.

CVP analysis helps businesses with tasks like:

☐ **Calculating the break-even point:** This is the sales volume at which the total revenue equals the total cost, resulting in zero profit.

☐ **Understanding the impact of changes in price, cost, or volume:** By analyzing how these factors affect the break-even point and profit, businesses can make informed decisions about pricing strategies, production levels, and cost-control measures.

➡ **Setting sales targets:** CVP analysis can help businesses set realistic sales targets that will achieve desired profit levels.

Overall, CVP analysis is a valuable tool for businesses of all sizes to understand their cost structure, optimize pricing, and make data-driven decisions for profitability.

Profits are affected by the following five factors:

- Selling prices.
- Sales volume.
- Unit variable costs.
- Total fixed costs.
- Mix of products sold.

To simplify CVP calculations, managers typically adopt the following assumptions with respect to these factors :

□Selling price is constant. The price of a product or service will not change as volume changes.

□Costs are linear and can be accurately divided into variable and fixed elements. The variable element is constant per unit. The fixed element is constant in total over the entire relevant range.
□ In multiproduct companies, the mix of products sold remains constant.

Mastering Profitability: The Power of Cost-Volume-Profit Analysis

CVP analysis is a valuable tool for businesses like Doreen Power Generations and Systems Limited (DPL) to understand the impact of costs, sales volume, and profitability on their operations. Here are the key components:

Cost Classification:

- **Variable costs:** Change with production volume (fuel costs, maintenance supplies)
- **Fixed costs:** Remain constant (rent, salaries, depreciation)

Contribution Margin: Profit per unit of electricity sold after covering variable costs. A higher margin means better profitability per unit.

Breakeven Point: The sales volume needed to cover all costs and earn zero profit. Operating below this point results in losses.

Degree of Operating Leverage (DOL): Measures the impact of sales volume changes on operating profit. A high DOL indicates greater sensitivity to volume changes.

Margin of Safety: The difference between current sales volume and the break-even point. A higher margin provides a buffer against sales declines.

Benefits of CVP Analysis for ACME:

- **Strategic Pricing:** By understanding the impact of volume on cost and profit, ACME can set optimal electricity prices that maximize profitability.
- **Production Planning:** CVP analysis helps determine production levels required to achieve targeted profits.
- **Cost Control:** It allows ACME to identify areas for cost reduction and improve overall cost efficiency.
- **Performance Evaluation:** CVP analysis facilitates evaluation of past performance and future profitability forecasts under various scenarios.

Limitations of CVP Analysis:

- **Assumes Linear Relationships:** CVP analysis assumes linear relationships between cost, volume, and profit. Real-world costs may not always behave linearly.
- **Ignores External Factors:** It doesn’t account for external factors like competitor activity, government regulations, or fuel price fluctuations that can significantly impact profitability.

Information Found from the Statement of ACME Laboratories Ltd.

Particulars	Amount	Per
Sales Revenue **Units Sold (Assumed) 10,000,000**	6,587,866,228	658.79
Variable Expenses: **Cost of Goods Sold**	3,973,188,348	397.32
Variable Selling & Dist. Exp.	684,036,583	68.40
Total Variable Expenses	4,657,224,931	465.32
Contribution Margin	1,930,641,297	193.06
Fixed Expenses: **Fixed Manufacturing Overhead**	XXXXXXX	XXXXXXX
Fixed Selling & Dist. Exp.	456,024,388	45.60
Administrative Expenses	240,256,413	24.03
Total Fixed Expenses	696,280,801	69.63
Net Operating Income	1,234,360,496	123.44

Application of CVP Concepts

Profit = (Sales – Variable expenses) – Fixed expenses

We simply break down the formula,

Profit = (P × Q – V × Q) – Fixed expenses.

As I have particular data of sales and variable expenses, I will go for the first formula.

Profit = (Sales – Variable expenses) – Fixed expenses

Profit = (6,587,866,228 – 4,657,224,931) – 696,280,801

= 1,930,641,297 – 696,280,801

=1,234,360,496 Taka

$$\textbf{Contribution Margin Ratio} = \frac{\text{Total Contribution Margin}}{\text{Total Selling Price}}$$

$$= \frac{1,930,641,297}{6,587,866,228}$$

$$= 0.2932 \text{ or } 29.32\%$$

$$\textbf{Dollar/Taka Sales to Break Even} = \frac{\text{Fixed Expenses}}{\text{CM Ratio}}$$

$$= \frac{696{,}280{,}801}{0.293}$$

$$= 2{,}373{,}867{,}741 \text{ Taka}$$

Units Sales to Attain Target Profit = $\dfrac{(Target\ Profit + \text{Fixed expenses})}{\text{Unit CM}}$

$$= \frac{500{,}000{,}000 + 696{,}280{,}801)}{193.06}$$

= 6,198,912 units

Margin of Safety in Dollar/Taka = (Total sales – Break even sales)

= (6,587,866,228 – 2,373,867,741)

= 4,214,998,487 Taka

Margin of Safety in Percentages = $\dfrac{\text{Margin of safety in Dollar/ Taka}}{\text{Total sales}}$

$$= \frac{4{,}214{,}998{,}487}{6{,}587{,}866{,}228}$$

$= 0.6400 \times 100$

$= 64.00\%$

$$\textbf{Degree of Operating Leverage} = \frac{\text{Contribution Margin}}{\text{Net Operating Income}}$$

$$= \frac{1{,}930{,}641{,}297}{1{,}234{,}360{,}496}$$

$= 1.5642$

CVP Relationship in Graphical Formulation

In this section, I will graphically describe the CVP of National Polymer Group. The CVP graph is a powerful tool in cost-volume-profit analysis because it provides a clear and visual representation of the complex relationship between costs, sales volume, and profit. Here is the mathematical and graphical representation:

Units	Total Revenue	Fixed Cost	Total Variable Expenses	Total Cost	Profit
0	0	696,280,801	0	696,280,801	- 696,280,801
20000	13,175,732	696,280,801	9,314,449,862	10,010,730,663	3,165,001,365
40,000	26,351,464	696,280,801	18,628,899,724	19,325,180,525	7,026,283,531
6,0000	39,527,196	696,280,801	27,943,349,586	28,639,630,387	10,887,565,697
80,000	52,702,928	696,280,801	37,257,799,448	37,954,080,249	14,748,847,863
100,000	65,878,660	696,280,801	46,572,249,310	47,268,530,111	18,610,130,029

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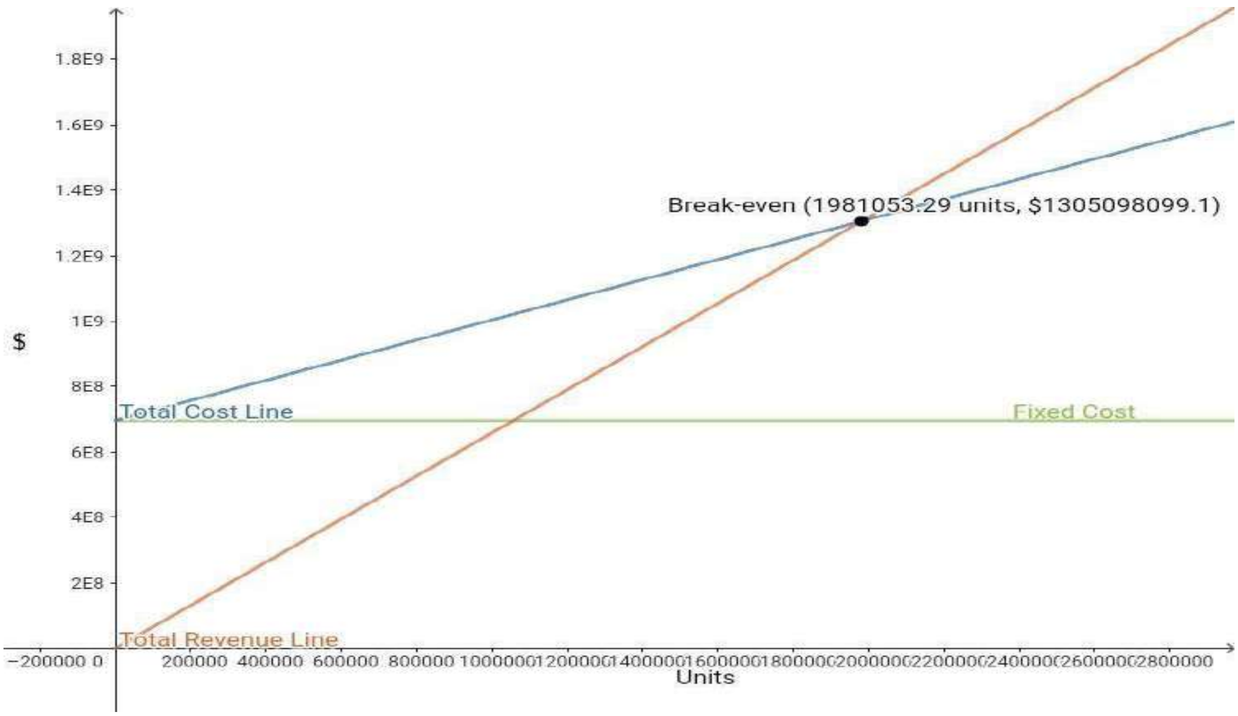
Break-even (1981053.29 units, $1305098099.1)
Total Cost Line
Fixed Cost
Total Revenue Line
$
Units
1.8E9
1.6E9
1.4E9
1.2E9
1E9
8E8
6E8
4E8
2E8
−200000 0
200000 400000 600000 800000

Conclusion

Based on the Cost-Volume-Profit (CVP) analysis for ACME Laboratories Ltd. At a sales volume of 100,000 units, here is an analysis of the company's financial position and other relevant aspects:

Revenue and Sales Volume:

At a sales volume of 100,000 units and an average selling price of 658.79 Taka per unit, ACME Laboratories Ltd. Generated revenue of 65,878,660 Taka for the period. This sales volume is significantly higher than the break-even point of 36,089 units, indicating that the company is operating in a profitable zone.

Contribution Margin and Profitability:

The company has a contribution margin of 19,306,294 Taka, which represents 29.32% of the sales revenue. This contribution margin ratio is considered reasonable and suggests that a significant portion of the sales revenue is available to cover fixed costs and generate profits after accounting for variable costs.

Fixed Costs and Operating Leverage:

The total fixed costs for the company are 6,962,808 Taka, which includes fixed selling & distribution expenses and administrative expenses. The fixed manufacturing overhead cost is not provided, but it is typically a significant component of fixed costs for a manufacturing company like ACME Laboratories Ltd.

The degree of operating leverage, calculated as the contribution margin divided by the operating income, would provide insights into how sensitive the company's operating income is to changes in sales volume. However, due to the missing fixed manufacturing overhead cost, an accurate degree of operating leverage cannot be calculated from the provided information.

Break-Even Point and Margin of Safety:

At the current sales volume of 100,000 units, the company has a break-even point of 36,089 units. This means that the company needs to sell at least 36,089 units to cover its fixed costs and start generating profits.

The margin of safety, which is the difference between the actual sales volume and the break-even volume, is 63,911 units. This represents a margin of safety ratio of 63.91%, indicating that the company’s actual sales volume is 63.91% higher than the break-even volume. A higher margin of safety ratio is generally desirable as it provides a cushion against potential sales declines before the company starts incurring losses.

Profitability and Financial Position:

At a sales volume of 100,000 units, ACME Laboratories Ltd. Generated an operating income of 12,343,486 Taka and an income before taxes of 8,637,341 Taka after accounting for financial expenses. These figures suggest that the company is profitable at the current sales volume and cost structure.

Recommendation

Based on the Cost-Volume-Profit (CVP) analysis and the information provided in the financial statements, here are some recommendations that ACME Laboratories Ltd. Can consider to improve its profitability and financial position:

Cost Control and Efficiency Improvements:

- Conduct a detailed analysis of the cost structure to identify areas where costs can be optimized or reduced without compromising quality or operations.
- Implement lean manufacturing practices and continuous improvement initiatives to enhance operational efficiency and reduce waste.
- Negotiate better terms with suppliers for raw materials and other input costs to reduce the variable cost per unit.
- Evaluate the fixed cost structure and explore opportunities to rationalize or reallocate fixed costs more effectively.

Product Mix Optimization:

- Analyze the profitability and contribution margins of individual product lines or categories.
- Focus on promoting and increasing sales of high-margin products while rationalizing or phasing out low-margin products.
- Consider introducing new products or product variations that align with market demand and have higher profit potential.

Pricing Strategy Review:

☐Conduct market research and competitor analysis to assess the pricing landscape and identify opportunities for strategic pricing adjustments.
☐Evaluate the price elasticity of demand for different product categories and consider implementing targeted price increases for inelastic products.
➡Explore value-based pricing strategies that align pricing with the perceived value of the products in the market.

Sales and Marketing Initiatives:

☐Invest in targeted marketing campaigns and promotional activities to increase brand awareness and drive sales volume growth.
☐Explore new distribution channels or geographical markets to expand the customer base and increase market share.
☐Implement customer loyalty programs or incentives to foster customer retention and repeat purchases.

Capacity Utilization and Scalability:

☐Assess the current production capacity and identify opportunities to optimize capacity utilization and reduce idle time or underutilized resources.
➡Evaluate the potential for capacity expansion or investments in automation to support future growth and achieve economies of scale.
➡Explore strategic partnerships, acquisitions, or vertical integration opportunities to enhance competitiveness and profitability.

Financial Management and Capital Structure:

☐Review the company’s capital structure and explore opportunities to optimize the mix of debt and equity financing to reduce the overall cost of capital.
☐Implement working capital management strategies to improve cash flow and reduce reliance on external financing.
➡Evaluate investment opportunities or diversification strategies that align with the company’s long-term growth objectives and risk appetite.