

Air Land Transport, Inc.: Using CVP analysis when considering expansion into new markets

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ABSTRACT

Air Land Transport, Inc. (ALTI), a freight forwarding company with more than 50 locations throughout the United States, is considering expansion into a new market. As a first step in the decision-making process, ALTI's executive team has asked for estimates on sales volumes required from ALTI's multiple product lines required to achieve breakeven and to achieve certain target operating incomes. The purpose of this case study is to familiarize introductory level managerial accounting students with how CVP analysis can be used to inform business decisions. This case can be used to provide real world context to the academic study of CVP analysis and as an example of how accounting analysis can help complement broader business information to help managers in making decisions.

Keywords: Cost-Volume-Profit Analysis, CVP, Breakeven Point, Target Operating Income