### ISCTE S Business School Instituto Universitário de Lisboa

### MANAGEMENT ACCOUNTING I

# MANAGEMENT

# School Year 2014/2015

### **Case for Assessment1**

GAMA company produces and markets the product G, from the conversion of the raw material A.

Regarding February of the year N, the following data are known:

• Costs and expenses per functions (in  $\in$ ):

Description	Manuf. Function	Selling (Distrib.) Function	Administrative Function	Total
Supplies and Services	25 000	6 000	5 500	36 500
Salaries	100 000	45 000	35 000	180 000
Depreciation	35 000	18 000	15 000	68 000
Total	160 000	69 000	55 500	284 500

• Theoretical expenses are calculated on salaries at the rate of 50%.

This rate is used both in the P&L Statement per Natures and in the P&L Statement per Functions.

- The salaries of the manufacturing function relate only to the Direct Labour.
- The monthly financial expenses amount to 300 000 €.
- Monthly variation of the raw materials stocks:

Description	MU	Quantity	Unit Cost
Opening Stock	ton	5 000 tons	75€
Purchases	ton	10 000 tons	60€
Consumptions	ton	?	-
Closing Stock	ton	4 000 tons	-

• Monthly variation of the secondary materials stocks:

Description	Value (€)
Opening Stock	3 000 €
Purchases	18 000 €
Consumptions	?
Closing Stock	1 000 €

• Monthly variation of the products stocks:

Description	Finished Product	PiP
Opening Stock	4 500 Units at 40 €/Unit	5 000€
Production	20 000 Units	-
Sales	25 000 Units at 70€/ Unit	-
Closing Stock	?	10 000€

The company adopts **LIFO** as citerion of the stocks output valuation.

Based on the available information, **it is required** to prepare the P&L Statement per Natures and the P&L Statement per Functions.

#### **APPENDICES**

#### Prepare the P&L Statement per Natures and per Functions

MCMP = RM+DL + MO = MCMP + CCQuantities consumed = 5 000 + 10 000 - 4 000 = 11 000 tons RM consumed = 10 000 tons x 60 + 1 000 x 75 = 675 000€ CC = 100 000 x 1.5 + 25 000 + 35 000 + (3 000 + 18 000 - 1 000) = 230 000€MCMP = 675 000 + 230 000 = 905 000€MCFP = 905 000 + 5 000 - 10 000 = 900 000 €Unit MCFP = 900 000/20 000 = 45€/Unit

#### Preparation of the P&L Statement per Functions

Description	Sales 8 000 units	Supporting Calculations
Sales	1 750 000.00	25 000 x 70
MCPS	1 100 000.00	20 000 x 45 + 5 000 x 40 = 1 100 000€
Subtotal	650 000.00	
NPMC	0	
Gross Profit	650 000.00	
Selling (Distribution)	91 500.00	6 000+ 45 000x 1.5 +18 000 =91 500 €
Expenses		
Administrative expenses	73 000.00	5 500 + 35 000 x 1.5 + 15 000 = 73 000€
Operational Profit	485 500.00	
Financial Expenses	300 000.00	
Profit before Taxes	185 500.00	

Income and Expenses	Value (€)	Supporting calculations
Sales and services rendered	1 750 000.00	
Operational benefits		
Variation of the FP stocks	- 200 000.00	
Closing stock of FP		(5 500+ 20 000 - 25 000) x 40€ = 500 x 40 = 20 000 €
Opening stock of FP		5 500 x 40 = 220 000 e
Variation of the PiP stocks	+5 000.00	5 000 - 10 000
Cost of the goods sold and of the materials consumed	695 000.00	675 000 + 20 000 = 695 000 €
Supplies and external services	36 500.00	
Expenses with employees	270 000.00	180 000 x 1.5
Stocks valuation		
Impairment		
Increases/reductions of the fair value		
Other income and earnings		
Other expenses and losses		
Earnings before interests, taxes, depreciation and amortization (EBITDA)	543 500.00	
Depreciation and amortization	68 000.00	
Earnings before interests and taxes (EBIT)	485 500.00	
Financial income		
Financial expenses	300 000	
Profit before taxes	185 500.00	

# Preparation of the P&L Statement per Natures