

**Accounting Department**

**Management**

**Management Accounting I**

 ***EXERCISE-BOOK 2***

EXERCISES 11 to 20

School Year 2014/2015

**EXERCISE 11**

The production process of **STONE** company consists essentially of the following::

* The materials M1 and M2 are converted in Section S1, where the Product B, the by-product C and the intermediate product A1 are obtained;
* The product B is later packed and stored;
* The by-product C is sold as it is obtained; variable selling (distribution) expenses of 2% on the sales value must be considered (it is neither packed nor stored);
* The intermediate product A1 moves to Section S2, where the product A is obtained and directly stored, without being packed.

Regarding January/N, the following data are known:

1. Consumption of materials:

|  |  |  |
| --- | --- | --- |
| **Materials** | **Quantity** | **Value (€)** |
| M1 | 200 tons | 5.6 |
| M2 | 300 tons | 6.5 |

1. Conversion costs:

|  |  |
| --- | --- |
| **Sections** | **Value (€)** |
| S1 | 20 000 |
| S2 | 8 800 |
| Packing | 1 200 |

1. Storing costs: 2 800 € allocated to the products, according to the quantities produced.
2. Selling (distribution) expenses: 3% on the sales value of the products A and B
3. Production and sales

|  |  |  |  |
| --- | --- | --- | --- |
| **Products** | **Production** | **Sales** | **Selling price**  |
| A1 = A | 280 tons | 250 tons | 100 € /ton |
| B | 120 tons | 120 tons | 80 € /ton |
| C | 100 tons | 100 tons | 10 € /ton |

**It is required**:

* 1. Ascertain the unit manufacturing cost of the products A, B and C, using the net realizable value method;
	2. Prepare the Profit and Loss Statement per Functions and per Product, according to the available data.

**EXERCISE 12**

In a regimen of joint production, CAT company produces the co-products A and B, the by-product S and the scrap R.

The manufacturing process can be described as folows:

* The raw material M1 is converted at STAGE 1 and the scrap R and the intermediate product A1 are obtained.
* The intermediate product A1 is converted at STAGE 2 and the product A, the by-product S and the intermediate product B1 are obtained.
* The intermediate product B1, together with the raw material M2, is converted at STAGE 3 and the product B is obtained.

Regarding January, the following data are known:

* 50 000 € of raw material M1 and 10 000 € of raw material M2 were consumed.
* Conversion costs:

Stage 1 10 000 €

 Stage 2 15 000 €

 Stage 3 20 000 €

* Production and sales:

|  |  |  |  |
| --- | --- | --- | --- |
|  **Products** |  **Production** |  **Sales** |  **Selling price** |
|  Scrap R |  200 tons |  0 |  0 |
|  By-product S |  500 tons |  450 tons |  16.50 €/ton |
|  Co-product A |  1 000 tons |  950 tons |  40 €/ton |
|  Co-product B |  2 000 tons |  2 000 tons |  50 €/ton |

* The by-product S and the co-product B have unit selling (distribution) costs of 2.50 € and 15 € respectively.
* The company has fixed administrative costs to the amount of 10 000 €.

Regarding January and knowing that the company uses the valuation criterion LIFO, it is required:

1. Ascertain MCFP of the by-product S;
2. Assuming that the value of the joint costs allocated to the by-product S are 7 000 €, ascertain MCFP of the co-products A and B, using the net realizable value method;
3. The profit and loss statement per functions and products.

  **EXERCISE 13**

**VIEWS** company produces the main products A and B and also the by-product C which is usually marketed.

The production process consists essentially of the following:

* The conversion of material M1 in section S1 produces simultaneously the final product A, the intermediate product B1 and the by-product C;
* The product A moves directly to the Finished Products Warehouse (FPW), without any other additional costs, both manufacturing and non-manufacturing;
* The by-product C is directly marketed (not stored in FPW), only causing specific selling (distribution) expenses;
* The material M2 is added to the intermediate product B1, which is converted in section S2 and produces the final product B. This one moves to the section of Packing and then to the Finished Products Warchouse before being marketed.
* The costs with FPW are allocated, according to the quantities of A and B produced.

Regarding June/N the following data are known:

1. **Purchases and consumptions of materials**

|  |  |  |
| --- | --- | --- |
| **Material M** | **M1** | **M2** |
| Opening stock | 350 tons at 10 €/ton | 100 tons at 25 €/ton |
| Purchases | 1 000 tons at 15 €/ton | 1 500 tons at 20 €/ton |
| Consumptions | 700 tons | 1 600 tons |

1. **Sections Costs**

|  |  |
| --- | --- |
| **Description** | **Total Cost (€)** |
| S1 | 31 250 |
| S2 | 25 000 |
| Packing | 62 500 |
| FPW | 5 625 |

1. **Production and sales**

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Product A** | **Product B** | **By-produt C** |
| Opening stock | 80 tons at 120 €/ton | 50 tons at 700 €/ton | 0 |
| Production | 200 tons | 250 tons | 20 tons |
| Sales | 180 tons at 750 €/ton | 200 tons at 1 000 €/ton | 15 tons at 250 €/ton |

1. **Monthly non-manufacturing expenses:**
	* Variable selling (distribution) expenses: 5% on the sales of A and B and 25 € per ton sold of the by-product C
	* Fixed selling /distribution) expenses: 27 500 €
	* Administrative expenses: 17 500 €

Knowing that the company uses the **absorption costing system and FIFO as a valuation criterion of the stocks,** and regarding June/N, it is required:

1. Prepare the diagram of the production process, identifying and characterizing in short the production regime of the company;
2. Ascertain the unit MCFP of the products A, B and C, using the net realizable value method;
3. Prepare the Profit and Loss Statement per Functions and per Product, regarding June.

**EXERCISE 14**

**PROFISH** company produces and markets the product A and the intermediate product A1.

Its production process is as follows:

* The material M1 is converted in section S1 and the intermediate product A1 is obtained ;
* Part of the production of A1 is marketed without any additional conversion;
* The other part moves into the production line. The material M2 is added and after conversion in section S2, the main product A is obtained.

The following uniform cost centres (sections) are defined:

1. Manufacturing sections

S1 – work unit: Mh

S2 – work unit: Lh

S3 – work unit: Lh

S4 – allocation unit: its costs are allocated to the other manufacturing sections, according to the respective direct costs.

Regarding April/N the following data are also known.

1. **Purchases and Consumptions of the Materials:**

|  |  |  |
| --- | --- | --- |
| **Description** | **Material M1** | **Material M2** |
| Opening stocks | 120 tons at 4.65 €/ton | 200 tons at 2.44€/ton |
| Purchases | 1 500 tons at 6 €/ton | ? tons at 3 €/ton |
| Consumptions | ? | 750 tons |
| Closing stocks | 620 tons | 50 tons |

1. ***Costs and Activity of the Sections:***

|  |  |  |  |
| --- | --- | --- | --- |
| **Sections** | **Activities** | **Reallocations of S3** | **Direct Costs (€)** |
| S1 | 2 500 Mh | 800 Lh | 6 000 |
| S2 | 5 000 Lh | 700 Lh | 13 000 |
| S3 | ? | ---- | 2 500 |
| S4 | ----- | ---- | 4 300 |

1. **Production and Sales**

|  |  |  |
| --- | --- | --- |
| **Description** | **A1** | **A** |
| Oppening Stock | 0 ton | 350 tons at 9.8 €/ton |
| Production | ? tons | 3 500 tons |
| Consumptions | ? tons | - |
| Sales | 200 tons at 10 €/ton | 2 500 tons at 25 €/ton |
| Closing Stock | 0 | ? |

**To produce one ton of the product A, 1.2 tons of the intermediate product A1 are necessary.**

1. Monthly non-manufacturing expenses
	* Selling (Distribution) expenses
		+ Variable: 3% on the sales value of A and 0.5 € per ton sold of A1
		+ Fixed: 1 200 €
	* Administrative expenses: 2 500 €
	* Financial expenses: 3 000 €

The company uses the **Weighted Average Cost** as valuation criterion.

Regarding April/N, it is required:

1. The table of the sections costs;
2. The table of the production costs;
3. The monthly profit and loss statement per functions and per product.

**EXERCISE 14 (APPENDICES)**

**Table of the conversion costs**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | **Unit Cost** | **S1 –**  | **S2 –**  | **S3 –** | **S4 -** |
| **Q** | **€** | **Q** | **€** | **Q** | **€** | **Q** | **€** |
| Direct Costs |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| Reallocations |  |  |  |  |  |  |  |  |  |
| S3 |  |  |  |  |  |  |  |  |  |
| S4 |  |  |  |  |  |  |  |  |  |
| Subtotal |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| Total Cost |  |  |  |  |  |  |  |  |  |
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| WU |  |  |  |  |  |  |  |  |  |
| AU |  |  |  |  |  |  |  |  |  |
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**EXERCISE 14 (APPENDICES)**

**Table of the production costs**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | **MU** | **Unit Cost** |  |  |  |
| **Q** | **€** | **Q** | **€** | **Q** | **€** |
| **Materials** |  |  |  |  |  |  |  |  |
| M1 |  |  |  |  |  |  |  |  |
| M2 |  |  |  |  |  |  |  |  |
| A1 |  |  |  |  |  |  |  |  |
| **Subtotal** |  |  |  |  |  |  |  |  |
| **Conversion Costs** |  |  |  |  |  |  |  |  |
| S1 |  |  |  |  |  |  |  |  |
| S2 |  |  |  |  |  |  |  |  |
| **Subtotal** |  |  |  |  |  |  |  |  |
| **MCMP = MCFP** |  |  |  |  |  |  |  |  |
| **Unit MCFP** |  |  |  |  |  |  |  |  |

**EXERCISE 14 (APPENDICES)**

**Profit and loss statement per functions**

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** |  |  | **Total** |
| Sales |  |  |  |
| MCPS |  |  |  |
| Subtotal |  |  |  |
| NPMC |  |  |  |
| Gross Profit |  |  |  |
| Selling (Distribution) expenses |  |  |  |
| * variable
 |  |  |  |
| * fixed
 |  |  |  |
| Administrative expenses |  |  |  |
| Operational profit |  |  |  |
| Financial income |  |  |  |
| Financial expenses |  |  |  |
| Profit before Taxes |  |  |  |

**EXERCISE 15**

**EASY** company produces and markets the finished product X by converting the raw materials A and B in the sections of preparation and mixture. The company adopts the uniform cost centres (sections) method. The following ones are defined:

(i) Manufacturing Sections

* Preparation (WU – Mh)
* Mixture (WU – Mh)
* Repair Shops (WU – Mh)
* Common Expenses (AU– to the other manufacturing sections, according to their activity)

(ii) Warehousing Sections

* Raw Materials Warehouse (AU – to the quantities of the raw materials A and B bought)
* Finished Products Warehouse (AU – to the quantities of the finished product X produced)

Regarding September/N, the following data are known:

* Activity and reallocations of the sections

|  |  |  |  |
| --- | --- | --- | --- |
| **Sections** | **Preparation** | **Mixture** | **Repair Shops** |
| Preparation | ---- | ---- | 5 000 Mh |
| Mixture | ---- | ---- | 3 000 Mh |
| Total | 12 000 Mh | 10 000 Mh | 8 000 Mh |

* Sections Costs

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Sections** | **Preparation** | **Mixture** | **Repair Shops** | **Common Expenses** |  **RMs Warehouse** |  **FPs Warehouse** |
| 1. Direct Costs |  |  |  |  |  |  |
| 1.1. Variable | 100 000 € | 80 000 € | 75 000 € | ---- | ---- | ---- |
| 1.2. Fixed | 80 000 € | 40 000 € | 25 000 € | 60 000 € | 36 000 € | 30 000 € |
| Total 1. | 180 000 € | 120 000 € | 100 000 € | 60 000 € | 36 000 € | 30 000 € |

* Stocks variation

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Material A** | **Material B** | **Product X** |
| Opening Stock | ---- | 50 tons at 775 € | 20 tons at 4 300 € |
| Purchases | 80 tons at 500 € | 100 tons at 600 € | ---- |
| Production | ---- | ---- | 150 tons |
| Closing Stock | 10 tons | 30 tons | ---- |

* Selling prices

Finished product X: 5 500 €/ton

* Selling (distribution) expenses
	+ Variable: On the finished product X occur variable manufacturing costs of 2% on the respective sales value;
	+ Fixed: 30 000 €

The company uses the valuation criterion **FIFO.**

It is required:

1. Prepare the table of the conversion cost;
2. Ascertain the production manufacturing cost of the product X;
3. Prepare the monthly profit and loss statement per functions and per product.

**EXERCISE 15 (APPENDICES)**

**Table of the conversion cost**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Description** | **Unit Cost** |  |  |  |  |  |  |
| **Q** | **€** | **Q** | **€** | **Q** | **€** | **Q** | **€** | **Q** | **€** | **Q** | **€** |
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**EXERCISE 15 (APPENDICES)**

**Table of the production costs**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | **MU** | **Unit Cost** |  |  |  |
| **Q** | **€** | **Q** | **€** | **Q** | **€** |
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**EXERCISE 15 (APPENDICES)**

**Profit and loss statement per functions**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** |  |  |  | **Total** |
| Sales |  |  |  |  |
| MCPS |  |  |  |  |
| Subtotal |  |  |  |  |
| NPMC |  |  |  |  |
| Gross Profit |  |  |  |  |
| Selling (distribution) expenses |  |  |  |  |
| * variable
 |  |  |  |  |
| * fixed
 |  |  |  |  |
| Administrative expenses |  |  |  |  |
|  Operational Profit |  |  |  |  |
| Financial income |  |  |  |  |
| Financial expenses |  |  |  |  |
| Profit before Taxes |  |  |  |  |

**EXERCISE 16**

**GAFA** company produces and markets the product X.

The production process consists essentially of the following:

* At a first stage the material M1 is subject to conversion operations in sections S1 and S2 and the intermediate product P1 is obtained;
* At the second stage this intermediate product together with the material M2 is converted in section S2 and the product X is obtained.

There are also two supporting sections and a warehouse:

* S3: Work unit Lh
* S4: Allocation unit – to the main sections, according to their direct costs.

Costing unit – day

* Materials warehouse: Allocation unit – to the quantities of M1 and M2 consumed Costing unit – day

Regarding April/N the following data are known:

1. Production and sales

|  |  |  |
| --- | --- | --- |
| **Description** | **Produto X** | **Intermediate product P1** |
| ProductionSalesOpening stock |  1 200 tons1 550 tons at 95 €/ton 500 tons at 69.5€/ton |  1 500 tons0 |

1. Purchases and Opening Stock of Materials

|  |  |  |
| --- | --- | --- |
| **Description** | **Opening Stock** | **Purchases** |
| Material M1Material M2 | 800 tons at 7.5€/ton230 tons at 6.25€/ton | 950 tons at 8€/ton530 tons at 6.5€/ton |

1. Costs and activities of the sections

|  |  |  |
| --- | --- | --- |
| **Description** | **Direct Costs (€)** | **Reallocations (S3)** |
| S1S2S3S4RMW | 18 00049 3503 375 5 388 3 930  | 450 Lh300 Lh--- |

1. Consumptions per unit produced

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **MU** | **Intermediate product P1** | **Product X** |
| Direct materials M1 M2 Intermediate product P1Conversion Costs S1 S2 | tontonMhMh | 0.75--1.53.5 | -0.551.2-2.5 |

1. Production in progress:

Opening Stock – 3 000 €

Closing Stock – 9 511 €

Knowing that the company uses the **valuation criterion LIFO**, and regarding April/ N, it is required:

1. Ascertain the Conversion Costs;
2. Prepare the Table of the Production Costs;
3. Prepare the Profit and Loss Statement per functions and per product regarding the calculation of the Gross Profit.

**EXERCISE 16 (APPENDICES)**

**Table of the conversion costs**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Description** | **Unit Cost** |  |  |  |  |  |  |
| **Q** | **€** | **Q** | **€** | **Q** | **€** | **Q** | **€** | **Q** | **€** | **Q** | **€** |
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**EXERCISE 16 (APPENDICES)**

**Table of the production costs**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | **MU** | **Unit Cost** |  |  |  |
| **Q** | **€** | **Q** | **€** | **Q** | **€** |
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**EXERCISE 16 (APPENDICES)**

**Profit and loss statement per functions**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** |  |  |  | **Total** |
| Sales |  |  |  |  |
| MCPS |  |  |  |  |
| Subtotal |  |  |  |  |
| NPMC |  |  |  |  |
| Gross Profit |  |  |  |  |

**EXERCISE 17**

OLS company produces and markets the product Y, using a production process with the following characteristics:

* The raw material A is converted in the section I and the intermediate produced X is obtained and moved to the products warehouse;
* The intermediate product X and the raw material B are converted in the section II. Simultaneously the product Y and the by-product Z are obtained. This by-product Z is marketed without any additional conversion.

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

1. Costs (in €) and activity of the sections:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  **SI** |  **SII** |  **SIII** |  **SIV** |  **RMW** |  **FPW** |
| Dirct costs Activity |  30 000 2 000 Lh |  20 000 1 600 Mh |  8 000 400 Lh |  1 450 - |  6 000 - |  4 826 - |

* The section III converted 180 Lh to section I, 120 Lh to the section II and 100 Lh to the Raw Materials Warehouse.
* The costs of the section IV are allocated to the sections I,II and III, according to their direct costs.
* The raw materials and the finished products warehouses are allocated to the quantities of raw materials bought and to the quantities of product Y produced respectively.
1. Stocks variance

b1) Raw materials

|  |  |  |
| --- | --- | --- |
|  |  **RM A** |  **RM B** |
| Opening stocksPurchasesClosing stocks |  60 tons at 100 €/ton 455 tons at 95 €/ton 90 tons |  350 tons at 256 €/ton 50 tons |

 b2) Products

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Intermediate product X** |  **Product Y** |  **Product Z** |
| Opening stocks |  20 tons at 260 €/ton |  80 units at  395 €/unit |  0 |
| Production |  300 tons |  300 units |  30 units |
| Sales |  - |  300 units at  480 €/unit |  25 units at 110 €/unit |
| Consumptions |  300 tons |  - |  - |

1. Non-manufacturing expenses
* Variable selling (distribution) expenses: 3% on the sales value of the product Y and 10 € per unit sold of the product Z;
* Fixed selling (distribution) expenses: 10 000 €;
* Administrative expenses; 5 000 €;
* Financial expenses: 2 000 €

Knowing that OLS company uses the absorption costing system and FIFO as valuation criterion, **IT IS REQUIRED** to prepare:

1. Table of the Conversions Cost;
2. Table of the Production Costs;
3. Profit and Loss Statement per functions.

 **EXERCISE 17 – APPENDICES**

 **Table of the conversions costs**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  **Desc.** |  **Unit Cost** |  |  |  |  |  |  |
|  |  |  **Q** |  **€** |  **Q** |  **€** |  **Q** |  **€** |  **Q** |  **€** |  **Q** |  **€** |  **Q** |  **€** |
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**Exercise 17**

**Table of the production costs**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  Description |   **MU** |  **Unit Cost** |  |  |
|  **Q** |  **€** |  **Q** |  **€** |
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 **EXERCISE 17**

 **Profit and loss statement per functions**

|  |  |  |  |
| --- | --- | --- | --- |
|  **Description** |  |  |  **Total** |
| Sales |  |  |  |
| MCPS |  |  |  |
| Subtotal |  |  |  |
| NPMC |  |  |  |
| Gross Profit |  |  |  |
| Selling (distribution)expenses |  |  |  |
| **-** Variable |  |  |  |
| - Fixed |  |  |  |
| Administrative Expenses |  |  |  |
| Operational Profit |  |  |  |
| Financial Expenses |  |  |  |
| Profit before Taxes |  |  |  |

 **EXERCISE 18**

DELTA company produces and markets the product ALFA and the by-product S. Its production process is as follows:

* At a first stage the material A is converted in section S1 and the intermediate product ALFA1 is obtained;
* The material B is added to this intermediate product. Its conversion in section S2 produces the final product ALFA and the by-product S (in the proportion of 10% of the product ALFA).

The following uniform cost centres are defined:

1. Manufacturing sections

S1: work unit: Mh

S2: work unit: Lh

S3: work unit: Lh

S4: it only includes fixed costs

1. Warehousing sections
* Raw materials warehouse (RMW);
* Finished products warehouse (FPW): under the responsibility of selling (distribution) area.

Regarding June/ N, the following data known:

1. Purchases and consumptions of materials

|  |  |  |
| --- | --- | --- |
|  | **Mat. A** | **Mat. B** |
| Opening stock | 400 tons at 30€/ton | 100 tons x 60€/ton |
| Purchases | 1 200 tons x 24€/ton | ? x 50€/ton |
| Consumptions | ? | 950 tons |
| Closing stock | 100 tons |  |

1. Costs and activities of the sections

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Direct Costs (€)** | **Activity** | **Reallocations (S3)** |
|  | **Variable**  | **Fixed** |  |  |
| S1S2S3S4RMWFPW | 18 00045 1007 200--- | 12 00031 0004 80034 2007 80016 400 | 2 000 Mh 2 500 Lh?--- | 500 Lh400 Lh--200 Lh100 Lh |

1. Prodution and sales

|  |  |  |
| --- | --- | --- |
|  | **Product ALFA** | **By-product S** |
| Opening stockProductionSalesClosing stock | 100 tons at 120 €/ton2 000 tons? x 200€/ton350 tons | 0?? at 10 €/ton 50 tons |

All production of ALFA1 is used in the production of ALFA. There are no opening stocks of the intermediate product ALFA 1. To produce 1 ton of ALFA, 2 tons of the intermediate product ALFA1 are necessary.

1. Monthly non-manufacturing expenses:

- Selling (distribution) expenses

* Variable: 3% on the sales value of ALFA and 6€ per ton of the By-product S sold

* + Fixed: 25 000€

- Administrative expenses: 10 000€

The company uses the criterion **FIFO** to valuate stocks and adopts the **variable costing system.**

**IT IS REQUIRED** to prepare:

1. The table of the conversion costs;
2. The table of the production costs;
3. The profit and loss statement per functions and per product, obtaining the operational profit.

**EXERCISE 18 (APPENDICES)**

**Table of the conversion costs**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Description** | **Unit Cost** |  |  |  |  |  |  |
| **Q** | **€** | **Q** | **€** | **Q** | **€** | **Q** | **€** | **Q** | **€** | **Q** | **€** |
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**EXERCISE 18 (APPENDICES)**

**Table of the production costs**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | **MU** | **Unit Cost** |  |  |  |
| **Q** | **€** | **Q** | **€** | **Q** | **€** |
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**EXERCISE 18 (APPENDICES)**

**Profit and loss statement per functions**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** |  |  |  | **Total** |
| Sales |  |  |  |  |
| MCPS |  |  |  |  |
| Subtotal |  |  |  |  |
| NPMC |  |  |  |  |
| Gross Profit |  |  |  |  |

 **EXERCISE 19**

**RENAVY** company’ business is naval repair. Each ship represents a work for the purpose of costing.

Regarding April/N the following data are known:

1) Conversion costs

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | S1 | S2 | A1 | A2 |
| Activity | 400 Mh | 500 Mh | 1 000 Lh | 750 Lh |
| Direct costs | 150 000 € | 250 000 € | 40 000 € | 15 000 € |
| Reallocations |  |  |  |  |
| A1 | 100 Lh | - | - | 900 Lh |
| A2 | 350 Lh | 400 Lh | - | - |

2) Data about work

|  |  |  |  |
| --- | --- | --- | --- |
| Work | R501 | R502 | R503 |
| Work in progress at the beginning of the month | 10 000 € | - | - |
| Direct Materials | 75 000 € | 40 000 € | 65 000 € |
| Conversion costs |  |  |  |
| S1 | 250 Mh | - | 150 Mh |
| S2 | 100 Mh | 100 Mh | 300 Mh |
| Situation of the work at the end of the month | Finished | Not finished | Finished |
| Invoicing | 350 000 € | - | 400 000 € |

Itis required:

1. Identify, justifying, the calculation method of the manufacturing cost that this company should use ;
2. Prepare the table of the conversion costs;
3. Prepare the table of the work costs;
4. Calculate the gross profit of each work.

**EXERCISE 19 (APPENDICES)**

**Table of the conversion costs**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | **Unit Cost** |  |  |  |  |
| **Q** | **€** | **Q** | **€** | **Q** | **€** | **Q** | **€** |
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**EXERCISE 19 (APPENDICES)**

**Table of the work costs**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | **MU** | **Unit Cost** |  |  |  |
| **Q** | **€** | **Q** | **€** | **Q** | **€** |
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**EXERCISE 19 (APPENDICES)**

**Gross Profit**

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** |  |  |  |
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**EXERCISE 20**

**Practical demonstrative case of the use of the Method of the Equivalent Units**

**BETA c**ompany produces, under a regime of continuous production, and markets at the price of 12 €/Unit, the product **β,** having registered, on a certain day, the following data:

**Non-finished production at the beginning of the month**: 2 500 Units with a finishing level 80%; This production had been priced, at the end of the previous month, by 7 000 €.

**Finished production in the month**: 10 000 Units;

**Non-finished production at the end of the month**: 5 000 Units with a finishing level of 60%;

**Materials consumption**: 27 000 €

**Conversion Costs**:

 **Section S1**: 45 000 €

**Finished Production at the beginning of the month:** 0

**Monthly Sales:** 8 000 Units

**IT IS REQUIRED:**

Ascertain the monthly Gross Prodit