<u>Case Velmet Company - Solution</u>

1) Standard cost sheet

		Ref 10		Ref. 15	
	Unit Cost	Stand. Q	Value(€)	Stand. Q	Value (€)
Direct Materials					
M1	4.5	0.4	1.8	0.3	1.35
M2	3	0.4	1.2	1.7	5.1
Total			3		6.45
Conversion Costs					
A1	10.5	0.1	1.05	0.2	2.1
A2	9.5	0.1	0.95	0.2	1.9
Total			2		4
Standard cost			5		10.45

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2) Valuation of the stocks (Stand c s)

	Actual Q	Stan. Cost	Value
Ref 10	300	5	1 500
Ref 15	200	10.45	2 090
Total			3 590

3) Actual costing system (based on standard cost sheet)

Purchases Variance	AQAP	AQSP	Variance
M1	1 250	1 125	125
M2	1 402.5	1 530	-127.5
Total	2 652.5	2 655	-2.5

Sections Variance	AQAP	AQSP	Variance
A1	500	525	-25
A2	600	570	30

Total	1 100	1 095	5

	A MCFP	S MCFP	
Manufactur Variance	3 475	3 590	-115

Act.MCFP

	Unit Cost	Q	Value
Direct materials			
M1	5	200	1 000
M2	2.75	500	1 375
Total			2 375
Conversion Costs			
A1	10	50	500
A2	10	60	600
Total			1 100
Global cost			3 475

Analysis of the manufacturing variance

	Prices variance			**Efficiency variance**			**Manuf. Variance**
	AQAP	AQSP	Variance	AQSP	**Flex.QSP**	Variance	
Direct materials							
M1	1 000	900	100	900	**810**	90	190
M2	1 375	1 500	-125	1 500	**1 380**	120	-5
Total	2 375	2 400	-25	2 400	**2 190**	210	185
Conversion Costs							
A1	500	525	-25	525	**735**	-210	-235
A2	600	570	30	570	**665**	-95	-65
Total	1 100	1 095	5	1 095	**1 400**	-305	-300
Global cost	3 475	3 495	-20	3 495	**3 590**	-95	-115

Gross Profit of May

	Ref 10	Ref 15	Total
Sales	1 560	2 400	3 960
Cost of Sales	1 300	2 090	3 390
Subtotal	260	310	570
NPMC			-112.5
Gross Profit			682.5

5) Standard costing system

Purchases Variance	AQAP	AQSP	Variance
M1	1 250	1 125	125
M2	1 402.5	1 530	-127.5
Total	2 652.5	2 655	-2.5

Sections Variance	AQAP	AQSP	Variance
A1	500	525	-25
A2	600	570	30
Total	1 100	1 095	5

Manufactur Variance	3 495	3 590	-95

Act.* MCFP

	Unit cost	Q	Value
Direct materials			
M1	4.5	200	900
M2	3	500	1 500
Total			2 400

Conversion Costs			
A1	10.5	50	525
A2	9.5	60	570
Total			1 095
Global Cost			3 495

Analysis of the manufacturing variance

	Efficiency variance			Manufact.
	AQSP	Flex. QSP	Variance	variance
Direct materials				
M1	900	810	90	90
M2	1 500	1 380	120	120
Total	2 400	2 190	210	210
Conversion Costs				
A1	525	735	-210	-210
A2	570	665	-95	-95
Total	1 095	1 400	-305	-305
Global cost	3 495	3 590	-95	-95

Gross Profit of May

	Ref 10	Ref. 15	Total
Sales	1 560	2 400	3 960
Cost of sales	1 300	2 090	3 390
Subtotal	260	310	570
NPMC			-92.5
Gross Profit			662.5