Case VELMET COMPANY

VELMET company, a Setúbal – based company, produces valves (mass production) and adopts the standard costs system.
The products that the company produces provided the following data related to the standard cost sheet of the standard cost sheet of two references:

Description	MU	Unit Cost (€)	Standard quantity Ref.10	Standard quantity Ref. 15
Direct Materials				
M1	ton	4.50	0.4	0.3
M2	ton	3.00	0.4	1.7
Conversion Costs				
A1	Lh	10.50	0.1	0.2
A2	Mh	9.50	0.1	0.2

A. The Budget of the year N provided the following data related to May

a) Purchases and consumptions:

Materials	MU	Unit Cost (€)	Purchases	Consumptions
M1	ton	4.50	250	240
M2	ton	2.50	510	500

b) Finished production:

Products	MU	Quantity
Ref. 10	un	320
Ref. 15	un	180

B. The actual data related to May, year N, are the following:

a) Purchases and consumptions:

Materials	MU	Unit Cost (€)	Purchases	Consumptions
M1	ton	5.00	250	200
M2	ton	2.75	510	500

b) Finished production:

Products	MU	Quantity
Ref. 10	un	300
Ref. 15	un	200

c) Sections activities and costs:

Sections	**Mu**	**Activity**	**Costs (€)**
A1	Lh	50	500
A1	Mh	60	600

d) Sales:

Products	**Quantity**	**Selling price (€)**
Ref. 10	260 un	6
REF. 15	200un	12

Based on the data provided, it is required:

1. Ascertain the standard cost of each reference;
2. Value the stocks of finished products of each reference;
3. Assuming that the company uses the actual costing system:

   a) Ascertain the manufacturing variance;
   b) Analyze the manufacturing variance;
   c) Ascertain the gross profit of May.

4. Assuming that the company uses the standard costing system:

   a) Ascertain the variances of purchases, sections and manufacturing;
   b) Analyze the manufacturing variance;
   c) Ascertain the gross profit of May.