

Case Viva company (2)

VIVA company produces and markets several products. Let's remember that its production process is as follows:

The Material X is converted in a Section I, producing the product A. Besides being sold on the market, it is also used in the production of the Product B, being converted, together with the Material Y, in a Section II;

The By-product C, in the proportion of 10%, is obtained from the production of this Product B in a joint production;

Besides the main sections mentioned, the company also has two Supporting Sections (Section III and Section IV), one Materials Warehouse and one Products Warehouse, whose costs are allocated according to the following criteria:

- RMW – to Purchases, according to quantity
- FPW – to Sales, according to quantity

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

Production and sales:

	Selling Price	Quantities Sold	Quantities Produced
Product A	75 €/ton	2 000 tons	2 500 tons
Product B	110 €/ton	1 000 tons	1 500 tons
By-product C	20 €/ton	110 tons	120 tons

Purchases and consumptions of materials:

	MU	Purchase Cost	Purchases	Consumptions
Material X	ton	23 €/ton	3 000 tons	3 125 tons
Material Y	ton	28 €/ton	1 500 tons	1 125 tons
Product A	ton	-	-	750 tons

Sections activity:

	MU	Product A	Product B
Section I	Lh	7 500	-
Section II	Mh	-	2 400

The Section S III was allocated as follows: 735 Lh to Section S I and 360 Lh to Section S II.

Direct Costs of Sections:

	MU	Unit Cost	Section I	Section II	Section III	Section IV	RMW	FPW
1.Direct Costs								
-Variable								
Electricity	KW	0.12	41 250	9 960	2 190			
Other Services and Supplies	€		15 000	4 200	1 095			
-Fixed								
Salaries	€		10 000	9 000	4 000	5 000	3 000	2 000
Social Expenses	€							
Depreciation	€		20 000	32 500	4 000	2 000	4 200	2 050

Non-manufacturing expenses:

- The variable selling (distribution) expenses registered in the month correspond to 4.25% of the sales value of the month, regarding the products A and B;
- The fixed expenses registered were the following:

	Administrative Services	Selling (distribution) Services
Salaries	20 000 €	5 000 €
Social Expenses		
Depreciation	15 000 €	5 000 €

- The financial expenses in the month amounted to 6 500 €.

Based on the data provided and knowing that the company adopts the standard absorption costing system, it is required regarding April of the year N:

1. Prepare the Table of the Conversion Costs;
2. Prepare the Table of the Production Costs;
3. Ascertain the accounting variances;
4. Prepare the Profit and Loss Statement per Functions.