



# Management Accounting

Spring 2025

TA Pedro Perdigão - [pedro.perdigao@novasbe.pt](mailto:pedro.perdigao@novasbe.pt)

Practical Class #1

# Agenda

01

## USEFUL INFO

Syllabus, course guidelines,  
important dates & contact  
infos

02

## THEORETICAL INTRODUCTION

03

## EXERCISE 3

The Alimentar Company

# COURSE INFORMATION

**Course Instructor:**

**Professor Rui Augusto**

**Email:** [raugusto@novasbe.pt](mailto:raugusto@novasbe.pt)

**Teaching Assistants:**

→ **Pedro Perdigão**

**Email:** [pedro.perdigao@novasbe.pt](mailto:pedro.perdigao@novasbe.pt) **Office Hours:** 5:00pm on  
Wednesdays - Send an email up until Tuesday afternoon :)

# EVALUATION ASSESSMENT

- 2 At-home quizzes: 10% (March 3<sup>rd</sup> and April 28<sup>th</sup>)
- Midterm: 35% (March 14<sup>th</sup>, 17:30)
- Final Exam: 55% (May 31<sup>st</sup>, 11:30)
  
- Resit Exam: 100% (whether if you failed the final exam or if you want to improve your grade)

**June 25<sup>th</sup>, 11:00**

# USEFUL INFO

**Moodle key: MA2425**

The course is **intense and requires home study** so you keep up with the pace. Some exercises are long, meaning some classes we will have to go faster than others, feel **absolutely free** to come to me after class, send me an email or book an OH if anything is not clear!

If you are able to, please, **bring the handbook of exercises in your computer or printed**, it is much better for you to follow the exercises :)

# 02

## Theoretical Recap

Types of companies, Relevant formulas, P&Ls

# Types of Organizations

## MERCHANDISING

---

Purchase and then sell products without transforming them, selling them as they are.

## SERVICE-SECTOR

---

Provide services or intangible products to their customers.

## MANUFACTURING

---

Purchase materials and convert into various finished goods;

Inventories held:

- Direct Material (**DM**) - initial materials
- Work in Progress (**WIP**) - partially completed goods
- Finished Goods (**FG**) - fully completed goods

# Relevant Formulas

**Manufacturing Costs** = Direct Materials + Direct Labour + Manufacturing Overheads

• Note: Prime Costs = DM + DL; Conversion Costs = DL + MOH

**Consumption of Raw Materials** = Purchases -  $\Delta$ stocks of Raw Materials

• Note: whenever I use  $\Delta$  it will always mean (Closing - Opening)

**Cost of Goods Manufactured** = Manufacturing Costs -  $\Delta$ WIP stocks

**Cost of Goods Sold** = COGM -  $\Delta$ FG stocks = COGM/unit \* units sold

**Sales** = Production -  $\Delta$ FG stocks



# Profit & Loss Statement

- **P&L by function (MA)**

(+)	1.Sales
(-)	2.Cost of Goods Sold
(=)	3.Gross Profit
(-)	4. Selling, General & Administrative Costs
(=)	5.Operating Profit
(-)	6.Financial Costs
(+)	7.Financial Revenues
(=)	8.Profit Before Taxes (PBT)/EBT

- **P&L by FA**

(+)	1.Sales
(+)	2. $\Delta$ Inventories
(=)	3. Operating Revenue
(-)	4. Cost of Merchandise Sold & Materials Used (C.M.S.M.U)
(-)	5. Miscellaneous Costs
(-)	6. Personnel Costs
(=)	7. EBITDA
(-)	8. Depreciation Costs
(=)	9. EBIT
(-)	10. Financial Costs
(+)	11. Financial Revenues
(=)	12. Profit Before Taxes

# Inventory Valuation Methods

## First in First out

---

Items bought/  
produced first, will  
be sold first

- ✓ FG: First sell what you have in stock, only then production (newer units)
- ✓ DM: First use what you have in stock, only then purchases

## Weighted Avg Cost

---

The average cost  
per unit is calculated  
by dividing the total  
cost by the total  
number of units  
purchased during  
the period

## Last in First out

---

Items bought/  
produced last, will be  
sold first

- ✓ FG: First sell production, only then what you already had in stock (older units)
- ✓ DM: First use purchased units, only then what you had already in stock

03

# Exercise 3

The Alimantar Company

# Differences in Profit– FIFO vs WAC vs LIFO

A different evaluation method will have a different impact on profit.

**P&L by function**- difference is visible in the COGS

**P&L by FA**- difference is visible in the  $\Delta$  inventory and/or C.M.S.M.U

So, different valuation methods will impact:

- **Direct Materials valuation**-> will show up in C.M.S.M.U (P&L FA) and COGS (P&L by function)
- **Finished Goods valuation**-> will show up in  $\Delta$  Inventories (P&L FA) and COGS (P&L by function)

# Differences in Profit— FIFO vs WAC vs LIFO

## Which Profit will be higher?

Depends if the older units were more or less costly than the newer units.

This way:

If  $\text{COGM/un of FGop} < \text{COGM/un of units produced}$ :

(Older units had a cheaper producing cost than newer units)

•  $\text{COGS FIFO} < \text{COGS WAC} < \text{COGS LIFO}$

•  $\pi \text{ FIFO} > \pi \text{ WAC} > \pi \text{ LIFO}$

•  $\text{FGcl (FIFO)} > \text{FGcl (WAC)} > \text{FGcl (LIFO)}$

If  $\text{COGM/un of FGop} > \text{COGM/un of units produced}$ :

(Older units had a more expensive producing cost than newer units)

• It is the other way around