



Management Accounting

Spring 2025

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Practical Class #2

Agenda

01

THEORETICAL RECAP

Social Charges

02

EXERCISE 5

The Metalex Company



SOCIAL CHARGES

Monetary fee that an employer must pay for each person that they employ.

Examples:

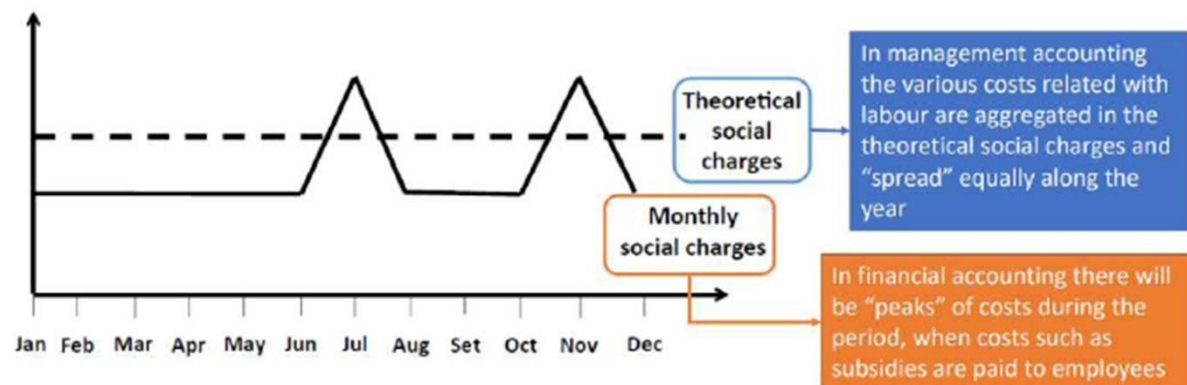
- health benefits
- unemployment benefits
- disability insurance
- workers' compensation benefits
- retirement benefits
- life insurance
- **Holiday pay**

SOCIAL CHARGES

Management Accounting: various costs related with labour are aggregated in the theoretical social charges and spread equally along the year

Financial Accounting: take costs exactly when those are paid, there are peaks during the year, in which social charges are higher than in the rest of the months

This means in on one particular period there **can be differences in P&L FA and P&L by function** due to the way that social charges are differently incorporated.



Relevant Formulas

$$\% \text{Theoretical Social Charges} = \frac{\text{Total Social Charges}}{\text{Total Salaries \& Wages}} \text{ (for the year!)}$$

$$\Delta \pi^{\text{FA} - \text{by Function}} = \text{Base Wages} * (\% \text{ TSC} - \% \text{ RSC})$$

$$\text{Labour Costs of The Period} = \text{Wages} + \% \text{TSC} \times \text{Wages}$$

02

Exercise 5

Metalex Company

EXERCISE 5– COSTS FOR P&L BY FUNCTION

- **Manufacturing costs** → all costs that mention “factory”, “manufacturing”, “production”. Costs happen in the factory.
- **Selling costs** → related with sales, marketing, and distribution of goods
- **General & Administrative costs** → all costs that mention “Headquarters”, “Office”, “Administrative”. Costs happen in the offices.

EXERCISE 5– COSTS FOR P&L BY FUNCTION

Purchases of DM	33.250	}	MANUFACTURING COSTS
Trade discounts on purchases of DM	2.625		
Transport costs of DM purchased*	2.125		
Miscellaneous costs:	<u>5.000</u>		
Rent of the factory (monthly)	1.750	→	MANUFACTURING
Fuel for Salesmen's cars	3.000	→	SELLING
Pens for the offices	250	→	GENERAL & ADMIN
Salaries and wages (including social charges):	<u>61.875</u>		
Manufacturing personnel**	25.000	→	MANUFACTURING
Sales staff	14.000	→	SELLING
Administrative staff	11.000	→	GENERAL & ADMIN
Employer social security charges paid (real = 23,75%)	11.875		
Depreciation:	<u>75.000</u>		
Manufacturing equipments	30.000	→	MANUFACTURING
Vehicles used to deliver <u>goods</u>	20.000	→	SELLING
Office equipment	25.000	→	GENERAL & ADMIN