**Dynamic Industrial**

**Assignment**

Dynamic Industrial is a relatively young company, with an unsophisticated accounting system. Dynamic Industrial manufactures two products, X370A, and Z410B. Each of the products has multiple components and materials (identified by SKU number), but assembly is relatively quick leaving no work in process inventory at the end of the period. Invoices are only approved for payment if the full quantity of the SKU has been received.

1. *(80 points)* Using the information provided, calculate the Materials Price Variance and Materials Efficiency Variance for each component/material for 2018.

1. *(20 points)* Dynamic Industrial purchasing manager has a friend who owns the company (COMP Inc) that produces some of the components that go into the X370A. COMP Inc. has been losing money in recent years. To save money, COMP Inc. has begun using a lower quality component and selling their components at a lower price to the public. However, the Dynamic Industrial’s purchasing manager has not renegotiated the contract and continues to purchase the components at an above-market rate to help the friend. Is the purchasing manager’s behavior in this situation ethical? Why or why not?

The beginning and ending inventory accounts for each product (units of output) for 2018 are provided below:

Beginning Inventory Count Ending Inventory Count Units Sold

X370A 5,040 4,040 18,220

Z410B 3,130 2,005 17,000

**Requirements**

This is a group assignment. **Each group needs to submit your assignment electronically to me via iCollege by 11:59 pm on 12/4/2020.**

**Each group needs to submit: (i) your variance analysis for Question #1 in an Excel file, and (ii) your answer to Question #2 in a Word file. Your answer to Question #2 should be no longer than one page (single-spaced, font size 12 Microsoft Office document). Your answer to Question 2 will be graded for both content and writing style (i.e., grammar, appearance, spelling, etc.).**