

Exercise 1

The following balances were extracted from the books of M. Mamas, a manufacturer, at 30 June 2017:

Opening stocks:	€
Raw Materials	36.000
Work in Progress	15.000
Finished goods	24.000
Purchases of Raw Materials	335.000
Purchases of Finished goods	50.000
Sales of Finished goods	1.550.000
Salaries	80.500
Wages paid	180.000
Factory manager's salary	40.800
Manufacturing royalties	18.000
Rent	26.000
Insurance	13.000
Fuel and Power	44.000
Carriage inwards of raw materials	38.000
Returns inwards	50.000
Plant and Machinery at cost	500.000
Accumulated depreciation of Plant and Machinery	100.000
Office equipment at cost	14.000
Accumulated depreciation of Office equipment	4.200

Additional information at 30 June 2017:

- 1) Stocks: €
 - Raw materials 39.000
 - Work in progress 17.000
 - Finished goods 22.000
- 2) Rent paid in advance €1.000 and Insurance accrued due by €2.000
- 3) Wages accrued amount to €900. Eight-ninths of wages paid and payable are direct and one-ninth is indirect
- 4) Rent and insurance are to be apportioned as follows:
 - Factory 4/5
 - Office 1/5
- 5) Plant and Machinery is depreciated at 25% per annum reducing balance method
- 6) Office Equipment is depreciated at 15% per annum straight line method
- 7) Goods manufactured should be transferred to Trading account section of Income Statement at standard cost €810.000.

REQUIRED:

Prepare for the year ended 30 June 2017:

- a. The Manufacturing Account
- b. The Trading Account section of Income Statement

Answer of Exercise 1

M. Mamas Plc
Manufacturing A/c for the year ended 30 June 2017

Direct Materials	€	€
Raw Materials:		
Opening Stock		36.000
Add Purchases	335.000	
Add Carriage Inwards	38.000	373.000
		409.000
Less Closing Stock		39.000
Cost of Raw Materials used		370.000
Direct labour		
Direct Wages(180.000 +900)x8/9		160.800
Direct expenses		
Royalties		18.000
PRIME COST		548.800
<u>Factory overhead expenses</u>		
Fuel and Power	44.000	
Factory Rent (€26.000-1.000)x4/5	20.000	
Factory Insurance (13.000+2.000) x 4/5	12.000	
Indirect Wages (180.900 x 1/9)	20.100	
Factory manager's Salaries	40.800	
Depreciation on Plant & Mach. (500.000 – 100.000) x25%	100.000	236.900
Work in Progress		
Add work in progress at start	15.000	
Less work in progress at end	17.000	(2.000)
Cost of Production		783.700
Manufacturing Profit		26.300
Cost of goods transfer to Income Statement		810.000

M. Mamas Plc Income Statement for the year ended 31 December 2017		
	€	€
Sales	1.550.000	
Less Returns Inwards	50.000	1.500.000
Less Cost of sales:		
Opening inventory of finished goods	24.000	
Purchases of finished goods	50.000	
Transfer price of goods manufactured	810.000	
	884.000	
Less Closing inventory of finished goods	(22.000)	(862.000)
Gross profit		638.000
Add: Manufacturing Profit		26.300

QUESTION 5 (ΠΑΓΚΥΠΡΙΕΣ 2009)

SHIA plc manufactures kitchen tables. Finished kitchen tables are transferred to the central warehouse at factory cost.

The following information has been extracted from the ledger of SHIA plc at 31 December, 2008:

	€
Sales of Kitchen tables (12.750 units)	2.400.000
Inventory 1 January 2008:	
Raw materials	52.000
Work in Progress at factory cost	116.000
Finished goods of Kitchen tables (1.800 units)	90.000
Direct Wages	240.000
Direct expenses	24.000
Purchases of Kitchen tables from external supplier (750 units)	60.000
Fuel & Power	28.000
Factory maintenance expenses	23.000
Depreciation of production machinery	58.000
Indirect labour	20.000
Factory Rates and Insurances	12.000
Indirect materials	11.000
Purchases of raw materials	320.000
Carriage inwards for raw materials	6.000

Additional information provided is as follows:

- Inventory as at 31 December 2008:

Raw Materials	€ 40.000
Work in Progress at factory cost	120.000
Finished inventory of Kitchen tables (all of them were manufactured tables)	?
- 15 000 finished kitchen tables have been transferred from factory to the central warehouse during the year.
- Kitchen tables manufactured should be transferred to Trading account at cost plus 5%.

REQUIRED:

Prepare for the year ended 31 December, 2008:

- Manufacturing Account for SHIA plc. **(marks 16)**
- Trading account section of Income Statement for SHIA plc. **(marks 4)**

Show all your workings for the calculation of Finished stock at 31 December, 2008.

QUESTION 5 (ΠΑΓΚΥΠΡΙΕΣ 2009)

SHIA plc
Manufacturing A/c

	€	€
Stock of R.M		52.000
Purchases of R.M		320.000
Carriage Inward		6.000
		378.000
Less closing stock of R.M		40.000
		338.000
Direct wages		240.000
Direct expenses		24.000
PRIME COST		602.000
Factory OVERHEAD		
Fuel of Power	28.000	
Factory Maintenance	23.000	
Depreciation of R.M	58.000	
Indirect Labour	20.000	
Factory Rates and Ins.	12.000	
Indirect Material	11.000	152.000
Work in Progress		
Add Opening inventory	116.000	
Less Closing Inventory	(120.000)	(4.000)
Cost of Production		750.000
Manufacturing Profit (750.000 x 5%)		37.500
Cost of kitchen tables transferred to Income Statement		787.500

SHIA plc Income Statement for the year ended 31 December 2017		
	€	€
Sales		2.400.000
Less Cost of sales:		
Opening inventory of finished goods	90.000	
Purchases of finished goods	60.000	
Transfer price of goods manufactured	787.500	
	937.500	
Less Closing inventory of finished goods(w1)	(252.000)	(685.500)
Gross profit		1.714.500
Add: Manufacturing Profit		37.500

Working

(1) Opening stock	1 800
Add Purchases	750
Add Production	15 000
Less Sales	<u>12 750</u>
	4 800 units

Cost per Unit €787.500 / 15 000 units = €52,50

Closing stock = 4 800 x €52,50 = €252.000