

3.

ANSWERS

Answer 1

You should have ticked the following:

- ☐ purchases of wool
- ☐ wool dyes
- ☐ knitting machine operatives' wages

All of these expenses can be easily traced to the final product.

Answer 2

	€
Inventory of components as at 1 September 2016	8.790
Purchases of components during the year	<u>112.900</u>
	121.690
Inventory of components as at 31 August 2017	<u>(10.460)</u>
Cost of components used	111.230

Answer 3

Statement showing prime costs for the year ended 30 April 2017.

	€
Inventory or raw materials as at 1 May 2016	376
Purchases of raw materials	<u>58.748</u>
	59.124
Inventory of raw materials as at 30 April 2017	<u>(297)</u>
Cost of raw materials used	58.827
Direct wages	<u>27.380</u>
Prime cost	86.207

Note

Only the direct wages have been included. Prime cost lists only the resources **directly used in the production** of the cakes, i.e. the flour, butter, sugar etc, plus the wages of **the people who actually work directly on producing** the cakes - the people who mix the ingredients, bake the cakes and decorate them.

Answer 4

Mary Spyrou
Prime cost section of manufacturing account
for the year 30 September 2017

	€
Inventory of components as at 1 October 2016	17.450
Purchases of components	457.300
	474.750
Inventory of components as at 30 September 2017	(26.100)
Cost of components used	448.650
Direct wages	317.520
Royalties	7.500
Other direct costs	26.720
Prime cost	800.390

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Answer 5

Purchases of timber	PC	Depreciation factory equipment	OH
Rent of workshop	OH	Wages of assembly workers	PC
Office manager's wages	---	Screws and nails	PC
Delivery van expenses	---	Mary's drawings	---
Wood glue	PC	Factory power	OH

Office manager's wages and delivery van expenses would appear in the Income Statement. Brenda's drawings would be deducted from her capital on the Statement of Financial Position.

Answer 6

Mastic Products
Manufacturing account for the year ended 30 November 2017

	€	€
Inventory of raw materials as at 1 December 2016		90.000
Purchases of raw materials		390.000
		480.000
Inventory of raw materials as at 30 November 2017		(80.000)
Cost of raw materials used		400.000
Manufacturing wages		212.000
Royalties		15.000
Prime cost		627.000
Factory overheads		
Supervisor's wages	27.000	
Factory insurance	30.000	
Factory rent	120.000	
Depreciation – machinery	17.500	194.500
Production cost of goods completed		821.500

Answer 7**(a)**

Anna Pablo
Manufacturing account for the year ended 28 February 2017

	€	€
Inventory of raw materials as at 1 March 2016		16.500
Purchases of raw materials	237.300	
Carriage inwards	1.500	238.800
		255.300
Inventory of raw materials as at 31 December 2017		(16.000)
Cost of raw materials used		239.300
Manufacturing wages		458.900
Royalties		7.500
Prime cost		705.700
Factory overheads		
Supervisor's wages	17.800	

Rent and rates	14.900	
Other indirect expenses	32.600	
Depreciation – machinery	90.000	155.300
		861.000
Work in progress:		
Add: Opening inventory	18.200	
Less: closing inventory	(19.400)	(1.200)
Production of goods completed		859.800

(b)

Statement of Financial Position extract as at 28 February 2017

Current assets	€	
Inventory – Raw materials	16.000	
Work in progress	19.400	
Finished goods	<u>21.350</u>	56.750

Answer 8

(a)

Mike Tavros

Manufacturing account for the year ended 31 May 2017

Raw materials:	€	€
Inventory as at 1 June 2016		49.780
Purchases	846.289	
Carriage inwards	5.218	851.507
		901.287
Inventory as at 31 May 2017		(48.340)
Cost of raw materials used		852.947
Direct wages		750.199
Royalties		19.000
Prime cost		1.622.146
Factory overheads		
Indirect wages	187.442	
Supervisor's wages	68.720	
Rent and rates	48.700	

Insurance	19.170	
Heat and light	4.260	
Power	17.282	
Other production expenses	5.671	
Depreciation –Factory equipment	48.000	399.245
		2.021.391
Work in progress		
Add: opening inventory	23.640	
Less: closing inventory	(20.119)	3.521
Production of goods completed		2.024.912

(b)

Mike Tavros
Income Statement for the year ended 31 May 2017

	€	€
Sales		2.913.502
Less: Cost of Sales:		
Opening Inventory of finished goods	40.210	
Production cost of goods completed	2.024.912	
	2.065.122	
Less: Closing Inventory of finished goods	(38.461)	2.026.661
Gross profit		886.841

Answer exercise 9

(a)

Zoe Pavlou

Manufacturing account for the year ended 31 December 2016

Raw materials:	€	€
Inventory as at 1 Jan 2016		23.500
Purchases		212.650
		236.150
Inventory as at 31 May 2017		(24.700)
Cost of raw materials used		211.450
Direct labour		143.680
Prime cost		355.130
Factory overheads		
Factory overheads	56.700	
Indirect labour	67.340	
Depreciation – factory machinery	23.000	147.040
		502.170
Work in progress		
Add: opening inventory	17.800	
Less: closing inventory	(16.300)	1.500
Production cost of goods completed		503.670

Zoe Pavlou

(b) Income Statement (Trading section) for the year ended 31 December 2016

	€	€
Sales		1.456.751
Less Cost of Sales		
Opening inventory of finished goods	16.300	
Production cost of goods completed	503.670	
	519.970	
Closing inventory of finished goods	(17.250)	502.720
Gross Profit		954.031

Answer 10

a)

Jack Fasolis**Manufacturing account for the year ended 31 July 2017**

Raw Materials	€	€
Inventory at 1 August 2016		17.650
Purchases	203.510	
Carriage Inwards	1.350	204.860
		222.510
Inventory at 31 July 2017		(23.510)
Cost of Raw Materials used		199.000
Direct labour		123.930
PRIME COST		322.930
Factory Overheads:		
Indirect labour	58.900	
Rent and rates - Factory	37.800	
Factory power	38.900	
Lighting and heating expenses - Factory	9.450	
Insurance - Factory	14.620	
Depreciation of Machinery	87.000	246.670
		569.600
Work in progress		
Opening inventory	8.570	
Less: Closing inventory	(7.340)	1.230
Production cost of goods completed		570.830

b)

Jack Fasolis
Income Statement for the year ended 31 July 2017

	€	€
Sales		1.750.570
Less Cost of Sales		
Opening inventory of finished goods	10.760	
Production cost of goods completed	570.830	
	581.590	
Closing inventory of finished goods	(10.740)	570.850
Gross Profit		1.179.720

Answer 11

M. Mamas Plc

(a) Manufacturing A/c for the year ended 30 June 2017

Direct Materials	€	€
Raw Materials:		
Opening Inventory		36.000
Add Purchases	335.000	
Add Carriage Inwards	38.000	373.000
		409.000
Less Closing Inventory		39.000
Cost of Raw Materials used		370.000
Direct labour		
Royalties		18.000
Direct Wages $(180.000 + 900) \times 8/9$		160.800
PRIME COST		548.800
<u>Factory overhead expenses</u>		
Fuel and Power	44.000	

Factory Rent $(€26.000-1.000) \times 4/5$	20.000	
Factory Insurance $(13.000+2.000) \times 4/5$	12.000	
Indirect Wages $(180.900 \times 1/9)$	20.100	
Factory manager's Salaries	40.800	
Depr. on Plant & Mach. $(500.000 - 100.000) \times 25\%$	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

(b)

Mamas Plc Income Statement for the year ended 30 June 2017		
	€	€
Sales	1.550.000	
Less Returns inwards	50.000	1.500.000
<u>Less Cost of Sales:</u>		
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
Total Gross Profit		664.300

Answer 12

SHIA plc
Manufacturing A/c

	€	€
Opening Inventory of R.M		52.000
Purchases of R.M		320.000
Carriage Inward		6.000
		378.000
Less closing inventory 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
Transferred to Income Statement		<u>787.500</u>

SHIA plc
Income Statement for the year ended 31 December 2017

	units	€	€
Sales	(12.750)		2.400.000
Less Cost of sales:			
Opening inventory of finished goods	1.800	90.000	
Purchases of finished goods	750	60.000	
Transfer price of goods manufactured	15.000	787.500	
	17.550	937.500	
Less Closing inventory of finished goods(w1)	4.800	(252.000)	(685.500)
Gross profit			1.714.500
Add: Manufacturing Profit			37.500

Working (W1)

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

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

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

Answer 13**Proton Technology Plc****(a) Manufacturing Account for the year ended 31 December 2016**

Raw materials:	€	€
Opening inventory		60.000
Purchases		390.000
		450.000
Less: closing inventory		(60.000)
Cost of raw materials consumed		390.000
Direct labour		
Production wages (68.000+13.000)		81.000
Direct expenses		
Packaging (50.000x70%)		35.000
Prime cost		506.000
Add Factory overheads:		
Production manager's salary	170.000	
Packaging (50.000X30%)	15.000	
Premises rent (60.000x75%)	45.000	
Depreciation of production equipment (220.000-92.000)x25%	32.000	262.000
		768.000
Work in progress		
Add: Opening inventory	104.000	
Less: Closing inventory	(98.000)	6.000
Production cost of goods completed		774.000

b. (i)**Office Computer A/c**

2016		€	2016		€
Jan 1	Balance b/d	40.000	Jun 30	Disposal	12.000
Oct 1	Bank	16.000	Dec 31	Balance c/d	44.000
		56.000			56.000
2017					
Jan 1	Balance b/d	44.000			

(ii)

Office Computer-Accumulated Depreciation A/c

2016		€	2016		€
Jun 30	Disposal (W.3)	6.000	Jan1	Balance b/d (w1)	16.000
Dec 31	Balance c/d	17.600	Dec 31	P/L ledger a/c or Depn exp (W.2)	7.600
		23.600			23.600
			2017		
			Jan 1	Balance b/d	17.600

(iii)

Disposal A/c

2016		€	2016		€
Jun 30	Office computer	12.000	Jun 30	Bank	5.000
			Jun 30	Accumulated depn	6.000
			Dec 31	P&L ledger a/c- Loss on disposal	1.000
		12.000			12.000

Workings:

1. Provision for Depn 1.1. 2016
 $40.000 \times 20\% \times 2 \text{ years} = \underline{\underline{16.000}}$
2. Depreciation expense for 2016
Old: $(40.000 - 12.000) \times 20\% = 5.600$
New: $16.000 \times 20\% \times 3/12 = 800$
Disposed: $12.000 \times 20\% \times 6/12 = \underline{\underline{1.200}}$
7.600
3. Provision for Depn on asset disposed
 $12.000 \times 20\% \times 30/12 = \underline{\underline{6.000}}$

Income Statement for the year ended 31 December 2016

	€	€
Sales		1.300.000
Less Cost of sales:		
Opening inventory of finished goods	156.000	
Production cost	774.000	
	930.000	
Less Closing inventory of finished goods	(126.000)	(804.000)
Gross profit		496.000
Less expenses		
Office manager's salary	212.000	
Premises rent (60.000x25%)	15.000	
General office expenses (48.000+3.000)	51.000	
Depreciation of office computers	7.600	
Loss on sale of office computer	1.000	(286.600)
Net profit		209.400