

# 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>
<b>Prime cost</b>		<b>86.207</b>

### 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	(26.110)
Cost of components used	448.640
Direct wages	317.520
Royalties	7.500
Other direct costs	26.720
<b>Prime cost</b>	<b>800.380</b>

**\*NOTE:** Please inform students that the correct purchases of components figure is **€457.300** and **NOT €57.300** which was given in the question

#### 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
<b>Prime cost</b>		<b>627.000</b>
Factory overheads		
Supervisor's wages	27.000	
Factory rent	120.000	
Depreciation – machinery	17.500	164.500
<b>Production cost of goods completed</b>		<b>791.500</b>

**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
<b>Prime cost</b>		705.700
<b>Factory overheads</b>		
Supervisory wages	17.800	
Rent and rates	14.900	
Other indirect expenses	32.600	
Depreciation – machinery	90.000	155.300
		861.000
<b>Work in progress:</b>		
Add: Opening inventory	18.200	
Less: closing inventory	(19.400)	(1.200)
<b>Production of goods completed</b>		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
<b>Prime cost</b>		<b>1.622.146</b>
<b>Factory overheads</b>		
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
<b>Work in progress</b>		
Add: opening inventory	23.640	
Less: closing inventory	(20.119)	3.521
<b>Production of goods completed</b>		<b>2.024.912</b>

(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	2.024.306	
	2.064.516	
Less: Closing Inventory of finished goods	(38.461)	2.026.055
<b>Gross profit</b>		<b>887.447</b>

**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
<b>Prime cost</b>		<b>355.130</b>
<b>Factory overheads</b>		
Factory overheads	56.700	
Indirect labour	67.340	
Depreciation – factory machinery	23.000	147.040
		502.170
<b>Work in progress</b>		
Add: opening inventory	17.800	
Less: closing inventory	(16.300)	1.500
<b>Production cost of goods completed</b>		<b>503.670</b>

**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	436.330	
	452.630	
Closing inventory of finished goods	(17.250)	435.380
<b>Gross Profit</b>		<b>1.021.371</b>

**\*NOTE:** Please give to students the sales figure which was incidentally not given in the question

**Answer 10**

a)

**Jack Fasolis**

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

<b>Raw Materials</b>	€	€
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
<b>PRIME COST</b>		<b>322.930</b>
<b>Factory Overheads:</b>		
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
<b>Work in progress</b>		
Opening inventory	8.570	

Less: Closing inventory	(7.340)	1.230
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**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
<b>Gross Profit</b>		1.179.720
<b>Production cost of goods completed</b>		570.830

**\*NOTE:** Please give to students the sales figure which was incidentally not given in the question

**Answer 11**

**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
<b>Direct labour</b>		
Production wages (68.000+13.000)		81.000
<b>Direct expenses</b>		
Packaging (50.000x70%)		35.000
<b>Prime cost</b>		<b>506.000</b>
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
<b>Work in progress</b>		

Add: Opening inventory	104.000	
Less: Closing inventory	(98.000)	6.000
<b>Production cost of goods completed</b>		<b>774.000</b>

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
		<b>56.000</b>			<b>56.000</b>
2017					
Jan 1	Balance b/d	44.000			

(ii)

**Office Computer-Accumulated Depreciation A/c**

2016		€	2016		€
Jun 30	Disposal (W.3)	6.000	Jan 1	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
		<b>23.600</b>			<b>23.600</b>
			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
		<b>12.000</b>			<b>12.000</b>

**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:  $12.000 \times 20\% \times 6/12 = 1.200$   
**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)
<b>Gross profit</b>		496.000
<b>Less expenses</b>		
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)
<b>Net profit</b>		209.400

