

52.1 A drill to practise the presentation of the Manufacturing Account

REQUIRED: from the information listed below, compile a Manufacturing Account in standard form, and an Income Statement.

Response

Data

	£
opening stock	
raw materials	20 000
WIP	11 000
finished goods	13 000
purchases	140 000
direct labour	58 000
sales	430 000
factory heat and light	9 000
factory supervision	8 000
machinery (net book value)	80 000
office equipment (net book value)	12 000
general office expenses	15 000
indirect materials	2 000
indirect labour	5 000
selling expenses	13 000
administrative expenses	4 000
insurance	6 000

NOTES

Closing stocks are valued at:

raw materials	22 000
WIP	10 000
finished goods	16 000

Insurance is to be divided two thirds for the factory and one third for the office.

Depreciation on machinery and office equipment for the period should be charged at 25% of the net book value.

52.1 Manufacturing Account for the Year Ended (date)

	£
purchases of raw materials	140 000
<i>plus</i> opening stock of raw materials	20 000
<i>minus</i> closing stock of raw materials	(22 000)
cost of raw materials consumed	<u>138 000</u>
direct labour	58 000
PRIME COST	196 000
Production Overheads	
factory heat and light	9 000
factory supervision	8 000
machinery depreciation	20 000
indirect materials	2 000
indirect labour	5 000
factory insurance	4 000
	<u>244 000</u>
<i>plus</i> opening stock of WIP	11 000
<i>minus</i> closing stock of WIP	(10 000)
FACTORY COST of FINISHED GOODS PRODUCED	<u>£245 000</u>

52.1 Income Statement for the Year Ended (date)

	£
Sales Revenue	430 000
Finished goods produced in period	245 000
<i>plus</i> opening stock of finished goods	13 000
<i>less</i> closing stock of finished goods	<u>(16 000)</u>
Cost of Sales	(242 000)
Gross Profit	188 000
Expenses	
office equipment depreciation	3 000
general expenses	15 000
selling expenses	13 000
administrative expenses	4 000
insurance	<u>2 000</u>
	(37 000)
Operating Profit	<u>£151 000</u>