Manufacturing Accounts

For Examiner's Use

1 The following balances were extracted from Aurora's accounts at 31 March 2007.

	$000
Sales	3 200
Purchases of raw materials	450
Purchases returns	18
Carriage inwards	10
Direct labour	400
Direct overheads	60
Rent	40
Electricity	30
Insurance	55
Factory supervision salaries	65
Office salaries	70
Indirect factory wages	13
Factory cleaning	50
Office cleaning	50
Stocks at 1 April 2006:	
Raw materials	110
Work in progress	55
Finished goods	80
Factory machinery at cost	640
Provision for depreciation on factory machinery	280

Additional information at 31 March 2007:

	$000
Rent prepaid	5
Electricity accrued	15
Insurance prepaid	10
Stocks – Raw materials	140
Work in progress	75
Finished goods	170

Depreciation on factory machinery is to be provided at 25 % per annum reducing balance.

Rent, electricity and insurance are apportioned on the basis of 80 % to factory and 20 % to office.

Finished goods are transferred to the trading account at total factory cost plus one third.

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REQUIRED

(a) Prepare Aurora's manufacturing account for the year ended 31 March 2007.

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(b) Prepare Aurora's trading account for the year ended 31 March 2007.

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[Total: 30]

1 The following trial balance was extracted from Hickory's books of account at 30 April 2010.

For Examiner's Use

	Dr $000	Cr $000
Revenue (sales)		5684
Raw materials purchased	2628	
Trade receivables (debtors)	480	
Provision for doubtful debts		16
Trade payables (creditors)		426
Factory non-current (fixed) assets at cost	2800	
Office non-current (fixed) assets at cost	952	
Accumulated depreciation at 1 May 2009		
Factory non-current (fixed) assets		1100
Office non-current (fixed) assets		380
Bank		290
Bank charges	12	
Bank interest	38	
Factory expenses	432	
Manufacturing wages	548	
Office expenses	348	
Office salaries	194	
Sales expenses	248	
Rent		48
Inventory (stocks) at 1 May 2009		
Raw materials	164	
Finished goods	292	
Work in progress	146	
Capital		1338
	9282	9282

Additional information:

1 Inventory (stocks) at 30 April 2010

Raw materials	$202 000
Finished goods	$252 000
Work in progress	$128 000

2 All depreciation for the year is to be 25% on cost.

3 $28 000 which had been charged to manufacturing wages should have been charged to office salaries.

4 Bad debts of $14 000 are to be written off.

5 The provision for doubtful debts is to be reduced by $6000.

REQUIRED

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(a) Prepare Hickory's manufacturing account for the year ended 30 April 2010.

[8]

(b) Prepare Hickory's income statement (trading and profit and loss account) for the year ended 30 April 2010.

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(c) Prepare Hickory's balance sheet at 30 April 2010.

For Examiner's Use

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[Total: 30]

1 Bart, a sole trader, provided the following trial balance for the year ended 30 April 2012.

	$	$
Sales Revenue		799 000
Inventory at 1 May 2011 (at cost)		
Raw materials	20 000	
Work-in-progress	52 000	
Finished goods	78 000	
Purchase of raw materials	238 000	
Purchase returns		10 000
Manufacturing wages	265 000	
Indirect factory wages	46 000	
Factory buildings at cost	600 000	
Factory machinery at cost	260 000	
Office equipment at cost	148 000	
Provision for depreciation:		
Factory machinery		60 000
Office equipment		44 000
Insurance	14 000	
General factory expenses	6 000	
Factory supervision salaries	15 000	
Heat and light	6 000	
Administrative expenses	33 000	
Office salaries	55 000	
Trade receivables	40 000	
Provision for doubtful debts		2 000
Trade payables		32 000
Bank	3 000	
Capital		932 000
	1 879 000	1 879 000

Additional Information:

1 Inventory at 30 April 2012 (at cost):

	$
Raw materials	56 000
Work-in-progress	58 000
Finished goods	72 000

2 Depreciation is provided on non-current assets at a rate of 20% per year using the reducing balance method.

3 The following expenses should be apportioned as follows:

	Factory	Office
Insurance	70%	30%
Heat and light	80%	20%

4 On 30 April 2012 indirect factory wages of $5000 were unpaid and insurance of $7000 had been paid in advance.

5 Provision for doubtful debts is to be maintained at 3% of trade receivables.

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REQUIRED

(a) Prepare Bart's manufacturing account for the year ended 30 April 2012.

[19]

(b) Prepare Bart's income statement for the year ended 30 April 2012.

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[8]

(c) State **three** examples of how the prudence concept has been applied in the preparation of Bart's manufacturing account and income statement.

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