**Question 10**

The following information was taken from the books of K McQueen.

List of balances at 31 March Year 5

**£000**

Sales Revenue of Finished Goods 2,900

Inventory at 1 April Year 4

Raw Materials 42

Work-in-progress 66

Finished Goods 93

Property (at cost) 350

Machinery (at cost) 300

Provision for Depreciation on Machinery at 1 April Year 4 60

Purchases of Raw Materials 1,450

Carriage on Raw Materials 70

Returns In 80

Cash and Cash Equivalents 95

Trade Receivables 180

Trade Payables 95

Direct Factory Expenses 86

Rent and Rates 240

Machinery Maintenance 62

Selling and Distribution Expenses 134

Indirect Factory Expenses 35

Production Wages 520

Indirect Factory Power 83

Heating and Lighting 120

Bad Debts 18

Indirect Factory Labour 46

**Notes at 31 March Year 5**

1. Inventories are as follows: **£000**
   * 1. Raw materials 46
     2. Work-in-progress 63
     3. Finished goods 89
2. The rent and rates figure relates to the entire premises of the business, which 80% is used by the factory and 20% is used by the office.
3. The following expense was accrued at the above date: production wages £28,000.
4. The indirect factory expenses figure contains £5,000, which relates to the financial year starting 1 April Year 5.
5. Heating and lighting is to be apportioned between the factory and the office in the ratio 3:2.
6. Depreciation is to be provided on machinery at the rate of 20% on cost.

**Select** the items required and **prepare** for the year ended 31 March Year 5:

1. Manufacturing Account

Your answers should show the following year 5 figures clearly labelled:

* cost of raw materials consumed
* prime cost
* factory cost of finished goods produced

1. Income Statement to Gross Profit

**16**

**Total marks (16)**

**Question 10 — solution**

**(a)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Manufacturing Account for year ended 31 March Year 5 | | | | | |  |  |
|  | **£000** |  | **£000** |  | **£000** |  |  |
| Inventory — Raw Materials (start) |  |  | 42\* |  |  |  |  |
| Purchases of RM |  |  | 1,450 | **(1)** |  |  |  |
| Carriage on RM |  |  | 70 | **(1)** |  |  |  |
|  |  |  | 1,562 |  |  |  |  |
| Less: Inventory — RM (end) |  |  | 46\* | **(1)** |  |  |  |
| Cost RM Consumed |  |  |  |  | 1,516 |  |  |
| Production Wages |  |  | 520 |  |  |  |  |
| Add: payable |  |  | 28 |  | 548 | **(1)** |  |
| Direct Expenses |  |  |  |  | 86 | **(1)** |  |
| Prime Cost |  |  |  |  | 2,150 |  |  |
| Factory Overheads |  |  |  |  |  |  |  |
| Rent and Rates (4/5) |  |  | 192 | **(1)** |  |  |  |
| Machine Maintenance |  |  | 62^ |  |  |  |  |
| Indirect Factory Expenses | 35 |  |  |  |  |  |  |
| Less: receivable | 5 |  | 30 | **(1)** |  |  |  |
| Factory Power |  |  | 83^ |  |  |  |  |
| Heating and Lighting (3/5) |  |  | 72 | **(1)** |  |  |  |
| Depreciation on Machinery |  |  | 60 | **(1)** |  |  |  |
| Indirect Factory Labour |  |  | 46^ | **(2)** |  |  |  |
| Add: Work-in-progress (start) | 66 |  |  |  |  |  |  |
| Less: Work-in-progress (end) | 63 |  | 3 | **(1)** | 548 |  |  |
| Factory Cost of Finished Goods |  |  |  |  | 2,698 |  |  |

**\* 1 mark for both inventories**

**^ 2 marks for 3 numbers**

**(b)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Income Statement for year ended 31 March Year 5** | | | | | |  |  |
|  |  |  | **£000** |  | **£000** |  |  |
| Sales Revenue |  |  | 2,900 | **(1)** |  |  |  |
| Less: Returns Inwards |  |  | 80 | **(1)** | 2,820 |  |  |
| Less: Cost of Sales |  |  |  |  |  |  |  |
| Inventory — FG (start) |  |  | 93\* |  |  |  |  |
| Cost of FG produced |  |  | 2,698 | **(1)** |  |  |  |
|  |  |  | 2,791 |  |  |  |  |
| Less: Inventory FG (end) |  |  | 89\* | **(1)** | 2,702 |  |  |
| Gross Profit |  |  |  |  | 118 |  |  |

**\* 1 mark for both inventories**

**16**

**Total marks (16)**