

Q.1 Manufacturing Account

Manufacturing Account of Austin Ltd for the year ended 31/12/2017 [1]			
	€	€	€
Opening stock of raw materials			41,500 [1]
Purchases of raw materials (N1)			482,700 [3]
Less closing stock of raw materials			<u>(31,500) [1]</u>
Cost of Raw Materials Consumed			492,700
Direct Costs:			
Factory wages (N2)		178,200 [5]	
Hire of special equipment		39,800 [2]	
Royalty payments		<u>26,900 [2]</u>	<u>244,900</u>
Prime Cost			737,600
Factory Overheads:			
General factory overheads (N3)		102,800 [6]	
Depreciation – plant and machinery (N4)		41,000 [3]	
Depreciation – buildings (N5)		14,937 [3]	
Loss on sale of machine (N6)		<u>4,500 [4]</u>	<u>163,237</u>
Factory Cost			900,837
Add work in progress 01/01/2017			38,200 [2]
Less work in progress 31/12/2017			<u>(40,200) [2]</u>
			898,837
Less sale of scrap materials (N7)			<u>(2,100) [4]</u>
Cost of manufacture			<u>896,737</u>

Trading, Profit and Loss Account for the year ended 31/12/2017			
	€	€	€
Sales (N8)			1,382,500 [4]
Less cost of sales			
Opening stock - finished goods		43,100 [2]	
Cost of manufacture		896,737 [2]	
Less closing stock - finished goods (N9)		<u>(82,100) [3]</u>	<u>(857,737)</u>
Gross profit			524,763
Less Expenses			
Administration			
Administration expenses	59,200 [1]		
Depreciation – buildings (N5)	<u>4,979 [2]</u>	64,179	
Selling and Distribution			
Provision for bad debts (N10)	2,760 [3]		
Selling expenses	<u>45,000 [1]</u>	<u>47,760</u>	<u>(111,939)</u>
			412,824
Add Operating Income			
Discount (N11)		7,400 [3]	
Bad debt recovered		2,500 [1]	
Rent (N12)		<u>12,000 [4]</u>	<u>21,900</u>
Operating profit			434,724
Investment income (N13)			<u>11,000 [3]</u>
			445,724
Less debenture interest (N14)			<u>(23,000) [2]</u>
Net profit			422,724
Less dividends paid			<u>(27,500) [1]</u>
Retained profit			395,224
Profit and loss balance 01/01/2017			<u>38,000 [2]</u>
Profit and loss balance 31/12/2017			<u>433,224 [2]</u>

Balance Sheet of Austin Ltd as at 31/12/2017			
	Cost	Acc. Depreciation	NBV
	€	€	€
Tangible Fixed Assets			
Factory buildings (N15) + (N16)	995,800 [2]	59,916 [1]	935,884
Plant and machinery (N17) + (N18)	<u>400,000</u> [2]	<u>193,500</u> [3]	<u>206,500</u>
	<u>1,395,800</u>	<u>253,416</u>	1,142,384
Financial Investments			
4 % Investments			<u>330,000</u> [3]
			1,472,384
Current Assets			
Closing stock: finished goods (N9)		82,100 [3]	
raw materials		31,500 [2]	
work in progress		40,200 [2]	
Debtors (N19)	46,000 [4]		
Less provision for bad debts (N10)	<u>(2,760)</u> [2]	43,240	
Investment income due		<u>11,000</u> [2]	
		208,040	
Creditors: amounts falling due within 1 year			
Creditors (N20)	61,400 [4]		
Bank (N21)	39,600 [4]		
Debenture interest due (N14)	23,000 [2]		
PAYE, PRSI, USC	20,700 [2]		
Wages due	<u>2,500</u> [1]	<u>(147,200)</u>	<u>60,840</u>
			<u>1,533,224</u>
Financed by:			
Creditors: amounts falling due after 1 year			
8% Debentures			300,000 [2]
	Authorised	Issued	
Ordinary shares @ €1 each	600,000 [1]	550,000 [1]	
5% Preference shares @ €1 each	<u>300,000</u> [1]	<u>250,000</u> [1]	
	900,000	800,000	
Profit and loss balance		<u>433,224</u>	<u>1,233,224</u>
Capital employed			<u>1,533,224</u>

1	Purchase of raw materials	514,200 – 31,500	482,700
2	Factory wages	200,000 – 24,300 + 2,500	178,200
3	Factory overheads	91,400 + 12,000 – 600	102,800
4	Depreciation – plant and machinery	400,000 @ 10% = 40,000 + 20,000 @ 10% × 6/12 = 1,000	41,000
5	Depreciation buildings – manufacturing	2% of 995,800 × 75%	14,937
5	Depreciation buildings – profit and loss	2% of 995,800 × 25%	4,979
6	Loss on sale of machine	20,000 – 12,500 – 3,000	4,500
7	Sale of scrap materials	5,100 – 3,000	2,100
8	Sales	1,400,000 – 17,500	1,382,500
9	Closing stock of finished goods	68,100 + 14,000	82,100
10	Provision for bad debts	46,000 @ 6%	2,760
11	Discount received	8,000 – 600	7,400
12	Rent	9,000 + 3,000	12,000
13	Investment income	4% of 330,000 × 10/12	11,000
14	Debenture interest	250,000 @ 8% = 20,000 + 50,000 @ 8% × 9/12 = 3,000	23,000
15	Factory building	940,000 + [31,500 + 24,300]	995,800
16	Acc. depreciation on buildings	40,000 + 19,916	59,916
17	Plant and machinery	420,000 – 20,000	400,000
18	Acc. depreciation plant and machinery	165,000 + 41,000 – 12,500	193,500
19	Debtors	62,000 – 17,500 + 1,500	46,000
20	Creditors	49,400 + 12,000	61,400
21	Bank	(43,600) + 1,000 + 3,000	(39,600)
21	Bank	(33,300) + (6,300)	(39,600)