

Question 1

75

(a)

Manufacturing Account of Fisher Ltd for the year ended 31/12/2010

		€		€
Opening stock of raw materials		49,500	[1]	
Purchases of raw materials	W1	455,500	[2]	
Carriage on raw materials		<u>6,050</u>	[1]	
		511,050		
Less Closing stock of raw materials	W2	<u>68,000</u>	[3]	
Cost of raw materials consumed				443,050
Direct costs				
Direct factory wages		201,450	[2]	
Hire of special equipment		<u>12,000</u>	[2]	213,450
Prime cost				656,500
Factory Overheads				
General factory overheads		50,400	[2]	
Patent written off	W3	12,500	[2]	
Depreciation – Plant and Machinery	W4	45,600	[3]	
Depreciation – Factory Buildings	W5	<u>11,000</u>	[2]	
				<u>119,500</u>
Factory cost				776,000
Work in progress 1/1/2010				20,500 [2]
Less Work in progress 31/12/2010				<u>(25,500) [2]</u>
				771,000
Less Profit on sale of machine	W6			(2,800) [4]
Less sale of scrap material				<u>(6,000) [2]</u>
Cost of Manufacture				<u>762,200</u>

Trading and Profit and Loss account for the year ended 31/12/2010

		€		€
Sales	W7			1,089,250 [7]
Opening stock of finished goods		80,000	[2]	
Goods transferred at cost of manufacture		<u>762,200</u>	[2]	
		842,200		
Closing stock of finished goods	W8	<u>(88,400)</u>	[6]	(753,800)
Gross profit				335,450
Less Expenses				
Administration				
Administration expenses		20,500	[2]	
Selling and Distribution				
Selling expenses	W9	108,175	[6]	
Bad Debt written off		450	[2]	
Provision for bad debts	W10	<u>2,370</u>	[4]	110,995
				131,495
				203,955
Discount net	W 11			<u>2,300</u> [2]
Operating profit				206,255
Less Debenture interest	W 12			<u>(6,525)</u> [3]
Net Profit before taxation				199,730
Less Taxation				<u>(24,000)</u> [2]
Profit after Tax				175,730
Less Dividends paid				<u>(30,000)</u> [1]
Retained Profit				145,730
Profit and Loss Balance 1/1/2010				<u>36,400</u> [2]
Profit and Loss Balance 31/12/2010				<u>182,130</u> [3]

(b)

Balance Sheet as at 31/12/2010

	Cost €	Acc. Dep €	Net €	Total €
Intangible Fixed Assets				
Patents				87,500 [3]
Tangible Fixed Assets				
Factory Buildings	650,000 [2]	-	650,000	
Plant and Machinery W13, 14	<u>216,000</u> [2]	<u>152,800</u> [3]	<u>63,200</u>	
	<u>866,000</u>	<u>152,800</u>	<u>713,200</u>	<u>713,200</u>
				800,700
Current Assets				
Stock Raw materials		68,000 [2]		
Work in progress		25,500 [2]		
Finished goods		<u>88,400</u> [2]	181,900	
Debtors W 15		<u>47,400</u> [5]		
Less provision		<u>(2,370)</u> [2]	45,030	
VAT			<u>4,200</u> [2]	
			231,130	
Creditors: Amounts falling due within one year				
Creditors W 16		60,700 [4]		
Bank		8,600 [2]		
Debenture interest due		5,400 [3]		
Tax due		<u>24,000</u> [2]	(98,700)	
Net Current Assets				<u>132,430</u>
				<u>933,130</u>
Financed by				
Creditors: amounts falling due after more than one year				
9% Debentures				80,000 [2]
Capital and Reserves		Authorised	Issued	
Ordinary shares @ €1 each		400,000 [1]	250,000 [1]	
4% Preference shares @ €1 each		<u>300,000</u> [1]	<u>200,000</u> [1]	
		<u>700,000</u>	450,000	
Revaluation Reserve W 17			221,000 [3]	
Profit and Loss Balance			<u>182,130</u>	<u>853,130</u>
Capital Employed				<u>933,130</u>

Question 1 - Workings

1.	Purchases	$440,500 + 15,000$	455,500
2	Closing Stock - Raw materials	$53,000 + 15,000$	68,000
3.	Patents	$100,000 \div 8$	12,500
4	Dep plant and machinery	$43,200 + 2,400$ $24,000 + 21,600$	45,600
5	Dep Factory buildings	$2\% (\text{€}50,000)$	11,000
	Provision for Dep - Factory buildings	$110,000 + 11,000 - 121,000$	-
6	Profit on sale of machine	$24,000 - 22,800 - 4,000$	2,800 cr
7	Sales	$1,100,000 - 6,750 - 4,000$	1,089,250
8	Closing stock –Finished goods	$85,000 - 2,000 + 5,400$	88,400
9	Selling expenses	$108,000 + 175 (300 - 125)$	108,175
10	Provision for bad debts	$5\% (\text{€}47,400)$	2,370
11	Discount net	$2000 + 300$	2,300
12	Debenture Interest	$[4,500 + 2,025]$ $[1,000 + 125 + 5,400]$	6,525
13	Prov for Dep – P & M	$130,000 + 45,600 - 22,800$	152,800
14.	Plant and machinery	$240,000 - 24,000$	216,000
15	Debtors	$54,600 - 450 - 6,750$	47,400
16	Creditors	$45,700 + 15,000$	60,700
17	Revaluation Reserve	$100,000 + 121,000$	221,000

Penalties

1 mark per entry within “Factory Overheads” if total overheads are deducted from prime cost

1 mark for omission of heading Selling Expenses