
Marjam Ltd

**Manufacturing and
Company Accounts**

2013

Past Exam Paper

Support Material

ADJUSTMENT (i) - CLOSING STOCK

Steps to this adjustment

1. There will be a closing stock figure for
 - (i) Raw materials (MA) - Include the figure in the adjustment
 - (ii) Work in progress (MA) - Include the figure in the adjustment
 - (iii) Finished Goods (T & BSCA) - Include the figure in the adjustment

Accounts to be adjusted

	W1	Raw material	As per adjustment	M RM
Closing Stock		WIP	As per adjustment	M FC
		Finished Goods	as per adjustment	T & BS CA

Note - you might have to adjust the finish goods figure later on in the question

ADJUSTMENT (ii) - SALE OR RETURN

Steps to this adjustment

1. Sales Sales will need to be decreased because these sales have not occurred as the goods can be returned (T). This will be decrease by the figure given in the adjustment
2. Debtors Debtors will also be decrease because the sales have not occurred so the The goods have not been sold on credit. Hence debtors will decrease by the figure in the question
3. Closing Stock Closing stock will increase by the cost price of the goods sold. This cost price will have to be calculate (100%)

Accounts to be adjusted

	W1	Closing Stock	Increase by cost	T / BS CA
Sale or Return		W2 Sales	Decrease figure in Q	T
		W3 Debtors	Decrease figure in Q	BS CA

ADJUSTMENT (iii) - Repairs

Steps to this adjustment

- | | |
|-------------------------------|--|
| 1. Repairs | Create an expense for repairs for the figure in the questions (€2000) |
| 2. Purchases of raw materials | As we have used some of the purchase of raw materials for repairs we need to take this figure away from the purchases figure (€400) |
| 3. Direct Factory Wages | As these repairs were completed by our own employee we need to reduce the factory wages buy the difference between the repairs and purchases |

Accounts to be adjusted

	W4 Repairs	Create	M
Repairs	W5 Purchases of RM	Decrease figure in TB	M
	W6 Direct Factory Waged	Decrease figure in TB	M

ADJUSTMENT (iv) - DEP PLANT AND MACHINERY

Steps to this adjustment (Dep Plant and Machinery)

1. Calculate the value of Plant and Machinery for this year
 2. Calculate the depreciation on the machine just sold
 3. Calculate the depreciation for plant and machinery for this year
 4. Calculate if there was a profit or loss made
-
- | | |
|---------------------------|--|
| 1. Plant and machinery | Decrease the value of the plant and machinery by €30,000 (see previous adjustment) |
| 2. This year Depreciation | Calculate this year depreciation |
| 3. Acc Dep P & M | Decrease this account with the dep for the machine just sold
Increase this account with the dep for this year |
| 4. Disposal | Calculate if there was a profit or loss made (Dr with the value of the machine sold, Cr with the dep for the machine and Cr with the money received for the machine, then balance the account) |
| 5. Purchases | Decrease the purchases figure with the difference between the new asset bought and the allowance received for the asset sold |

<u>Accounts to be adjusted</u>			
Depreciation of P & M	W 7 Plant and machinery	Decrease	BS TA
	W 7 This year Depreciation	Increase	M
	W 7 Acc Dep of Machinery	Increase (Bal)	BS TA
	W 7 Disposal	Inc / Dec	M PC
	W 5 Purchase of RM	Decrease	M

ADJUSTMENT (iii) - SUSPENSE

Remember

Step to this adjustment (Debenture)

1. Calculate the debenture interest for this year
2. Calculate the debenture interest due
3. Find out the difference between what the interest we paid and the interest we should have paid. If we paid too much we need to reduce the interest and if we paid too little we need to increase the interest

Tip

1. On the trial balance beside debenture interest put -300 (this is because we have recorded too much as we should have paid €4,500 (from our calculations) but we did pay €4,800 (from the trial balance))
2. Now we also need to adjust the suspense figure in the trial balance (Administration Expense). As the debit side is now down €300 we need to add €300 to this expense so the debit and credit side now balance

Step to this adjustment (Returns)

1. As sales were returned to us of €1,000 we need to reduce the sales figure in the trial balance by €1,000. This will mean that the credit side is less than the debit side by €1,000. SO we need to add €1,000 to the administration expense in the trial balance. This will make the debit side and credit side equal

<u>Accounts to be adjusted</u>			
Suspense	W8 Debenture interest	Increase	Less OI
	W9 Debenture interest due	Decrease	BS CL
	W10 Sales	Decrease	P & L t
	W11 Admin Expenses	Inc / Dec	P & L Exp

Adjustment (iv) - BANK STATEMENT**(i) Step to this adjustment (Wrong Cheque Figure)**

1. Bank overdraft Find the difference in the cheque we wrote and the figure we recorded ($€860 - €680 = €180$). This means we have record €180 more than we actually paid so we need to reduce the Bank OD
2. Creditors We also need to increase the creditors as we have recorded in our books that we have paid them more that we actually have. SO they will go up by €180

(ii) Steps to this adjustment (Bad Debt Recovered)

1. Bank overdraft Decrease the bank overdraft with the amount of money received (€800)
2. Debtors Decrease the debtors by full debt (100%)
3. Bad debt Create a bad debt expense. This is the difference between the two figures above

Accounts to be adjusted

Bank Statement	W 11 Bank	Inc /Dec	BS CL
	W 12 Creditors	Increase	BS CL
	W 12 Bad Debt	Create	P & L
	W 03 Debtors	Decrease	BS CA

(iii) Steps to this adjustment (Cheque not presented for payment)

As the cheque has not been presented for payment - no money has left or entered the bank account. Because of this no adjustment is needed.

Adjustment (vii) - Directors Recommendations

(i) Steps to this adjustment (Investment Income Due)

1. Investment Income Calculate the investment income figure for the year. Use the investment figure from the Trial Balance (€340,000) multiply it by the rate (4%)

$$340,000 * 4\% = 13,600$$

2. Investment Income Due Calculate the amount of income that is due. Look at the trial balance and see if an investment income has been received. In the trial balance it says in selling expense that 3 months investment income has been incorporated. We need to find out how much this is and take it away from investment for the year and also take it out of selling expense (by adding it on)

$$13,600 * 3/12$$

$$\underline{3400}$$

$$10200$$

3. Selling expenses Take the €3,400 out of selling expense by adding it on (Remember investment income is a credit so 3,400 will go on the credit side of the Investment account and the corresponding debit will be in the selling expenses)

Investment Income
(Due)

W14 Investment Income	Increase	Add OI (OP)
W15 Investment Income Due	Decrease	BS CA
W16 Selling Expenses	Increase	P & L

(ii) Steps to this adjustment (Debenture Interest Due)

Has already been calculated as part of suspense (v)

(iii) Steps to this adjustment (Provision for bad debts)

1. Take the debtors figure and multiply it by the present in the question (make sure to use the most up to date debtors' figure) ($46,000 * 6\% = 2,760$)
2. Then check to see if this provision is an increase or decrease - find the provision for bad debt figure in the trial balance and take away the new provision (there is none in this question so 2,760 will go in the P * L (s & d) and BS CA.)

Accounts to be adjusted

Provision for Bad Debts

W 17 Provision for Bad debt

M PC / BS CA