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**Cahill Ltd**

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**Manufacturing and  
Company Accounts**

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**2014**

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**Support Material**

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**VERY IMPORTANT FOR DOUBLE ENTRY**

1. There are 4 different types of accounts - Assets, Liabilities, Expenses and Income
2. For double entry we do the following to increase and decrease each one of these 4 different accounts
  - a. Assets - to increase an asset we put the figure on the debit side and to decrease an asset put in on the credit side
  - b. Liabilities - to increase a liability we put the figure on the credit side and to decrease a liability we put the figure on the debit side
  - c. Expense- to increase an asset we put the figure on the debit side and to decrease an asset put in on the credit side
  - d. Income - to increase a liability we put the figure on the credit side and to decrease a liability we put the figure on the debit side

Asset		Liabilities		Expense		Income	
+	-	-	+	+	-	-	+
Increase	Decrease	Decrease	Increase	Increase	Decrease	Decrease	Increase

**TIP** - If you are finding it hard to remember if an item goes on the debit side or credit side have a look at the Trial balance in Question 1. The trial balance gives you a list of debits and credit balance

Expense		Income	
Due	Current Liability (has be to paid - we owe it)	Due	Current Asset (We are owed it)
Prepaid	Current Asset (We have it paid already)	Prepaid	Current Liability (We have received the money, now we owe it to the business)

**Adjustment (i) - Closing Stock**

Steps to this adjustment

1. There will be a closing stock figure for Raw materials (MA), Work in progress (MA) and Finished Goods (T & BSCA)

Raw materials

1. Include the figure in the Question.

Work in Progress

1. Include the figure in the Question.

Finished Goods

1. Reduce the closing stock figure by the damage stock figure.
2. Find the Net Realisable figure by multiply the cost figure by the percent in the question.
3. Add this figure back to the figure you got for step 1. This is the new Closing stock figure.

Accounts to be adjusted

Closing Stock

W1	Raw material	as per question	MA
	WIP	as per Question	MA
	Finished Goods	Decrease by damage figure.	
		Increase by NRV figure	T & BS CA

Tutorial Video



**Adjustment (ii) - Sale or Return**

Step to this adjustment (Sale or Return)

1. Decrease the sales figure by the amount in the question.
2. Decrease the Debtors by the amount in the question.
3. Calculate the Cost figure of the amount sold.
4. Reduce the Closing stock figure by the amount calculate in step 3

**Accounts to be adjusted**

Sale or Return

W1 Closing Stock	Decrease by cost figure	T / BS CA
W2 Sales	Decrease by SoR figure	T
W3 Debtors	Decrease by SoR figure	CA BS

**Tutorial Video****Adjustment (iii) - Repairs to Plant and Machinery**Steps to this adjustment

1. Reduce purchases of raw materials figure by €700 because they were used for repairs and we can't sell them to get the money back (MA)
2. Reduce the Direct Factory Wage by €2900 (€3600 - €700) used their own employees so we won't pay them twice (MA)
3. Create an expense account for repairs - €3600 - (MA as part of the Factory overheads)

**Accounts to be adjusted**

Repairs to P &amp; M

W4 Purchases of raw materials	MA
W5 Direct Factory Wage	MA
W6 Repairs to P & Mss	MA

**Tutorial Video****Adjustment (iv) - Depreciation of Fixed Assets**Steps to this adjustment

1. Calculate the Value of the Fixed Assets (P & M)
2. Calculate the Accumulate Depreciation for the Fixed Asset (P & M)

3. Calculate the Depreciation for This year
4. Calculate is a profit or loss has been made,
5. Adjust the purchase of raw materials with the net amount (Value of the asset - allowance)

**Accounts to be adjusted**

Depreciation of  
Fixed Assets

W7 Value of Fixed Asset		BS FA
W7 Dep of Fixed Asset		BS FA
W7 Dep This year		MA
W7 Profit/Loss		Loss - MA
		Factory Overheads
		Profit - MA
		Factory Costs
W4 Purchases of Raw materials		MA

**Tutorial Video**



**Adjustment (v) - Suspense**

**Step to this adjustment (Debenture Interest)**

1. Calculate the Debenture interest (for the year)
2. Calculate how much should have been paid for Debenture interest for the first few months.
3. Calculate the Debenture interest due. (No 1 - No 2 above)
4. Adjust the expense that has the suspense included in it in the trial balance.

**Tip**

1. Find out how much the mortgage interest should have been, on the trial balance beside mortgage interest paid add or minus this figure.

2. This will increase the DR side (Remember the DR and CR must equal) so in the expense that has the suspense (on the Trial balance) you will do the opposite to balance the DR and Credit side

Step to this adjustment (Discount)

1. Adjust the Discount - If it is on the Cr Side it is Discount Received (Income) and if it is on the Dr Side it is Discount Allowed (Expense.). In this question we add it on
2. Adjust the expense that has the suspense included in it in the trial balance. (This will be Increase as the CR side is now higher and DR and Cr must equal)

Tip

1. On the trial balance beside Discount put - 600 this means CR is now Higher (Remember the DR and CR must equal)
2. Now adjust the expense that has the suspense to balance the DR and CR side - 600 to balance the Dr and Cr sides

You now know if you have to add or takeaway the figures in the expense with suspense.

Accounts to be adjusted

Suspense
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W08	Debenture Interest	Less OI
W09	Debenture Interest Due	BS CL
W10	Expense with suspense	P & L (s & d)
W11	Discount	ADD OI

Tutorial Video



**Adjustment (vi) - Bank Statement**

- (i) Steps to this adjustment (Cheque paid to supplier incorrectly recorded)
  1. Increase Bank depending if the bank is on the Dr or Cr side (Dr side it is an asset and taken away, Cr side it is a liability (overdraft) and add on because the overdraft is increasing)

2. Decrease the creditors figure by the difference in the question as we have paid this to the creditors

(ii) Steps to this adjustment (Credit Transfer)

1. Decrease the bank by €600- because we have received this money and it will reduce the overdraft
2. Find out how much the bad debt was for and reduce the debtors by this amount as they don't owe use the money any more
3. Create a bad debt with eh difference between the debt owe and CT received

(iii) This cheque has not yet been presented for payment, so we don't do anything with it

Accounts to be adjusted

Bank Statement

W 13 Bank

Increase/decrease

BS CL

W 14 Bad debt

Exp (s & d)

W 15 Creditor

BS CL

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**Adjustment (vii) -**

1. Investment Income due

1. Calculate how much investment income the business is due
2. check to see if there is any investment income incorporated into any expense in the TB - if yes we need to take this out (by adding it on because income is a cr and an expense is a dr)
3. Calculate the investment income due

2. Debenture interest has been already calculated as part of adjustment (v)

3. Steps to this adjustment (Provision for bad debts)

1. Using the new debtors figure calculate the new provision for bad debt figure

**Accounts to be adjusted**

Investment Income
Provision for Bad Debts

W16 Investment Income

Add OI

W17 Selling expenses

Exp (s & d)

W18 Investment Income Due

BS CA

W19 Provision for Bad debt

Exp (s & d) / BSCA

Tutorial Video



**PART A - Manufacturing Account**

Tutorial video



**PART A - Trading Profit and Loss Account**

Tutorial video





**PART B - Balance Sheet**

Tutorial video

