
Gill Ltd

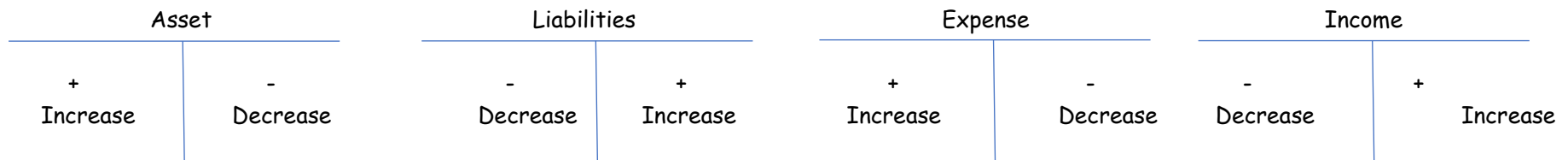
**Manufacturing and
Company Accounts**

2018

Support Material

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



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

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Adjustment (ii) - Scrap Material

Steps to this adjustment

1. Reduce the scrap material figure as we have received money for it now (MA)
2. Reduce the Plant and Machinery figure by the amount the cost the machine (BS FA)
3. Find out if the company made a profit or loss from the sale of the machinery - if it

Accounts to be adjusted

Scrap Material

W2 Scrap Material	Decrease by damage figure.	MA
W3 P & M	Decrease by cost	BS FA
W4 P/L on sale	Profit/Loss	Profit - Less MA Loss - Add M

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

1. Calculate the depreciation for the Machinery (Make sure to look to see if we have to include dep for the machinery just sold). This figure will go in the M
2. Calculate the Accumulate Depreciation for the machinery - this figure will go in the Balance sheet

Accounts to be adjusted

Depreciation of P & ..

W5 This year Dep	M
W5 Acc Dep of Machinery	BS FA

Tutorial Video**Adjustment (iv) - Suspense****Step to this adjustment (Discount Allowed)**

1. Discount allowed has been entered in the debtors account but not Discount Allowed account, so we need reduce the net discount because this is discount received

Tip

1. Reduce the Discount net figure on the Cr side.
2. This will decrease the CR side (Remember the DR and CR must equal) so in the expense that has the suspense (on the Trial balance *General Factory Overhead*) you will reduce it by the same figure

Step to this adjustment (PAYE PRSI and USC)

1. We paid an extra 3000 off the PAYE, PRSI and USC figure but haven't account for it in this account. We need to reduce PAYE, PRSI and USC by €3000.

Tip

1. On the trial balance beside PAYE, PRSI and USC - 3000 this means CR is now Lower (Remember the DR and CR must equal)
2. Now adjust the expense that has the suspense (on the Trial balance *General Factory Overhead*) to balance the DR and CR side - 3000 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

W6 Discount Net

ADD OI

W7 PAYE, PRSI & USC

BS CL

W8 *General Factory Overheads*

M

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Adjustment (v) - Sale or Return
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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
W9 Sales	Decrease by SoR figure	T
W10 Debtors	Decrease by SoR figure	CA BS

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Adjustment (vi) - Bank Statement

(i) **Steps to this adjustment (Dishonoured Cheque)**

1. Reduce/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. Increase the debtors' figure by the amount in the question and the dishonour cheque was not entered in the book

(ii) **Steps to this adjustment (Investment Income)**

1. Adjust the bank by €1000 - remember if the bank is a Cr the income will reduce the figure and if the bank is a Dr the bank will be increased
2. Find out how much investment income we should receive this will be added to OI
3. Reduce the figure in part 2 by the figure in the bank (check to see if we incorporated any figure in an expense and adjust it the income figure as well)
4. Adjust the expense figure as well

Accounts to be adjusted

Bank Statement

W 11 Bank	Increase/decrease	BS CL
W 10 Debtors		BS CA
W 12 Investment Income		Add OI
W13 Investment Income Due		BS CA
W14 Selling Expense		Exp (s & d)

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Adjustment (vii) - Advertising Campaign
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Steps to this adjustment

1. Find out how much is paid per month for the advertising campaign
2. Find out how much is for this period (exp (s & d))
3. Find out how much is prepaid and for the next period (BS CA)

Accounts to be adjusted

Advertising Campaign

W15 Advertising (Exp)

Exp (s & d)

W15 Advertising Prepaid

BS CA

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Adjustment (viii) - Build a new extension
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Steps to this adjustment

1. Decrease the Direct wage by the labour amount in the question as we used our own employees so will not pay them twice.
2. Decrease the purchase of raw materials as we will not be able to sell these but the figure in the question for raw materials.
3. Increase the value of the buildings by the labour and raw material figure in the question as this is how much our buildings have increased by

Accounts to be adjusted

Built a new extension

W16 Direct wage	Decrease	M
W17 Buildings	Increase	BD FA
W18 Purchases of Raw materials		M

Tutorial Video**Adjustment (ix) - Provisions**

- Investment Income due is already calculated as part of adjustment (vi)
- Debenture interest has been already calculated as part of adjustment (vi)
 - Calculate the debenture interest for the year - Less OI
 - Check to see if we have paid any debenture interest (we haven't in this question, so this figure also goes in the BS CL)
- Steps to this adjustment (Provision for bad debts)
 - Take the debtors figure and multiply it by the present in the question (make sure to use the most up to date debtors' figure)
 - Then check to see if this provision is an increase or decrease - find the provision for bad debt figure in the question and take away the new provision (part 1) (We don't have a figure for this in this question, so we don't need to do this part)
 - If this figure is an increase - the increase figure goes in the Exp (s & d) if the figure is a decrease - the decrease figure goes in Add Income.

Accounts to be adjusted

Debenture Interest
Provision for Bad

W19 Debenture Interest	Less OI / BS CA
W 20 Provision for Bad debt	Exp (s & d) / BSCA

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PART A - Manufacturing Account

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PART A - Trading Profit and Loss Account

Tutorial Video



PART B - Balance Sheet

Tutorial Video

