

## Leaving Certificate Accounting – Higher Level 2005

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### Question 1 – solution

#### Manufacturing Account of James Ltd for the year ended 31/12/2004

		€	€
Opening stock of raw materials			48,000 ①
Purchases of raw materials	W 1		432,280 ③
Carriage in			<u>5,510</u> ②
			485,790
Less closing stock of raw materials			<u>51,000</u> ①
<b>Cost of raw materials consumed</b>			<b>434,790</b>
<b>Direct Costs:</b>			
Factory wages	W 2	158,220 ④	
Hire of special equipment		<u>12,000</u> ②	170,220
<b>Prime Costs</b>		<b>605,010</b>	
<b>Factory Overheads:</b>			
General factory overheads		50,300 ②	
Depreciation on plant and machinery	W 3	49,800 ③	
Depreciation on buildings		10,160 ③	
Loss on sale of machine	W 4	<u>1,500</u> ④	
			<u>111,760</u>
<b>Factory cost</b>			716,770
Work in progress 1/1/2004			<u>24,150</u> ②
			740,920
Less Work in progress 31/12/2004			<u>(28,550)</u> ②
			712,370
Less sale of scrap materials	W 5		<u>(3,700)</u> ④
<b>Cost of manufacture</b>			<b>708,670</b> ①
<b>Gross profit on manufacturer</b>			<u>91,330</u>
<b>Goods transferred from factory at CMV</b>			<u>800,000</u> ①

**Trading and Profit and Loss Account for year ended 31/12/2004**

			€
Sales	W 6		925,400 ⑤
Opening stock of finished goods		85,500 ②	
Goods transferred @ CMV		<u>800,000 ②</u>	
		885,500	
Less closing stock of finished goods	W 7	<u>97,500 ⑥</u>	
Cost of goods sold		788,000	(788,000)
Gross profit on trading			137,400
Gross profit on manufacture			<u>91,330</u>
			228,730
<b>Less Expenses:</b>			
<b>Administration Expenses</b>			
Administration expenses	W 8	22,900 ⑥	
<b>Selling and Distribution Expenses:</b>			
Selling expenses		<u>68,420 ②</u>	(91,320)
			137,410
Discount (net)	W 9		<u>3,000 ③</u>
Operating Profit			140,410
Less Debenture Interest	W 10		<u>( 8,325) ④</u>
<b>Net profit before taxation</b>			132,085
Less Taxation			<u>(10,000) ②</u>
<b>Profit after tax</b>			122,085
Less Preference dividend paid		8,000 ①	
Preference dividend due		8,000 ①	
Ordinary dividend paid		9,000 ①	
Ordinary dividend due		<u>18,000 ①</u>	
			(43,000)
Retained Profit			79,085
Profit and Loss Balance 1/1/2004			<u>82,300 ②</u>
<b>Profit and Loss Balance 31/12/2004</b>			<u>161,385 ②</u>

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**Balance Sheet of James Ltd as at 31/12/2004**

<b>Intangible Assets</b>					€
	Patents				70,000 ②
<b>Tangible Assets;</b>			<b>Accumulated</b>		
		<b>Cost</b>	<b>Depreciation</b>	<b>Net</b>	
		€	€	€	
Factory Buildings	W 11	508,000 ②	55,160 ②	452,840	
Plant and Machinery	W 3,12	<u>238,000 ②</u>	<u>135,100 ③</u>	<u>102,900</u>	
		<u>746,000</u>	<u>190,260</u>	<u>555,740</u>	555,740
					625,740
<b>Current Assets;</b>					
	Stocks Raw materials		51,000 ②		
	Work in progress		28,550 ②		
	Finished goods		<u>97,500 ②</u>	177,050	
Debtors	W 13			<u>84,800 ⑤</u>	
				261,850	
<b>Creditors: amounts falling due within 1 year:</b>					
	Trade creditors		57,700 ②		
	Bank		11,450 ②		
	VAT		12,730 ②		
	Dividends due		26,000 ④		
	Taxation		10,000 ②		
	Debenture interest due		<u>8,325 ③</u>		
					<u>126,205</u>
	Net Current Assets				<u>135,645</u>
					<u>761,385</u>
<b>Financed By:</b>					
<b>Creditors: amounts falling due after more than 1 year</b>					
	9% Debentures				100,000 ②
<b>Capital and Reserves:</b>			<b>Authorised</b>	<b>Issued</b>	
	Ordinary Shares at 1 each		550,000 ①	300,000 ②	
	8% Preference shares at 1 each		<u>250,000 ①</u>	<u>200,000 ②</u>	
			<u>800,000</u>	500,000	
	Profit and Loss Balance 31/12/2004			<u>161,385</u>	
					<u>661,385</u>
					<u>761,385</u>

**Workings - Question 1**

1	Purchases of Raw materials	$450,280 - 18,000$	=	432,280
2	Factory Wages	$198,220 - 40,000$	=	158,220
3	Depreciation on plant & machinery	$26,000 + 23,800$	=	49,800
		$47,600 + 2,200$	=	49,800
	Accumulated Depreciation on plant	$104,000 - 18,700 + 49,800$	=	135,100
4	Loss on Disposal of machine	$22,000 - 18,700 - 1,800$	=	(1,500)
5	Sale of scrap materials	$5,500 - 1,800$	=	3,700
6	Sales	$935,000 - 9,600$	=	925,400
7	Closing stock of finished goods	$92,000 - 2,500 + 8,000$	=	97,500
8	Administration expenses	$23,900 - 1,000$	=	22,900
9	Discount	$4,000 - 1,000$	=	3,000
10	Debenture Interest	$6,300 + 2,025$	=	8,325
	Debenture Interest	$1,575 + 6,750$	=	8,325
11	Cost of Factory Buildings	$450,000 + 18,000 + 40,000$	=	508,000
12	Cost of plant and Machinery	$260,000 - 22,000$	=	238,000
13	Debtors	$94,400 - 9,600$	=	84,800