

## Accounting – Higher Level 2009

### Question 1

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#### Manufacturing Account of Blenheim Ltd for the year ended 31/12/2008

[1]

		€	€
Opening stock of raw materials		45,000 [1]	
Purchases of raw materials	W 2	447,250 [3]	
Carriage on raw materials		<u>6,300 [1]</u>	
		498,550	
Less closing stock of raw materials		<u>49,000 [1]</u>	
<b>Cost of raw materials consumed</b>			449,550
<b>Direct costs</b>			
Direct factory wages	W 3	235,460 [4]	
Hire of special equipment		<u>10,000 [2]</u>	245,460
<b>Prime cost</b>			695,010
<b>Factory Overheads</b>			
General factory overheads		60,200 [2]	
Patents written off	W 12	15,000 [2]	
Depreciation – Factory buildings	W 4	11,500 [3]	
Depreciation – Plant and machinery	W 5	55,400 [3]	
Loss on sale of machine	W 6	<u>2,050 [4]</u>	144,150
<b>Factory cost</b>			839,160
Work in progress 1/1/2008			21,250 [2]
Less Work in progress 31/12/2008			<u>(26,450) [2]</u>
			833,960
Less Sale of scrap material	W 9		<u>(3,700) [3]</u>
<b>Cost of Manufacture</b>			<u>830,260</u>

## Trading and Profit and loss account for the year ended 31/12/2008

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		€	€
Sales	W 1		1,077,200 [4]
Less Cost of goods sold			
Opening stock of finished goods		84,500 [2]	
Add Cost of manufacture		<u>830,260 [2]</u>	
		914,760	
Less Closing stock of finished goods	W 10	<u>(94,500) [6]</u>	(820,260)
Gross profit			256,940
<b>Less Expenses</b>			
<b>Administration</b>			
Administration expenses	W 11	22,100 [6]	
<b>Selling and Distribution</b>			
Selling expenses		105,165 [2]	
Bad Debt written off	W 13	500 [2]	
Provision for bad debts	W 14	<u>2,800 [2]</u>	
		<u>108,465</u>	(130,565)
Discount net			126,375
Operating profit			<u>3,000 [2]</u>
Operating profit			129,375
Less Debenture interest	W 15		<u>(6,750) [4]</u>
<b>Net Profit before taxation</b>			122,625
Less taxation			<u>(8,000) [2]</u>
<b>Profit after Tax</b>			114,625
Less Preference and Ordinary dividends paid			<u>(40,000) [2]</u>
Retained Profit			74,625
Profit and Loss Balance 1/1/2008			<u>75,400 [2]</u>
<b>Profit and Loss Balance 31/12/2008</b>			<u>150,025 [3]</u>

## Balance Sheet as at 31/12/2008

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		Cost €	Acc.Dep €	Net €	Total €
<b>Intangible Fixed Assets</b>					
Patents	W 12				45,000 [3]
<b>Tangible Fixed Assets</b>					
Factory Buildings	W 4, 17	600,000	-	600,000 [2]	
Plant and Machinery	W 7, 8	<u>271,000 [2]</u>	<u>179,250 [3]</u>	<u>91,750</u>	
		<u>871,000</u>	<u>179,250</u>	<u>691,750</u>	691,750
					736,750
<b>Current Assets</b>					
Stock Raw materials		49,000 [2]			
Work in progress		26,450 [2]			
Finished goods		<u>94,500 [2]</u>	169,950		
Debtors	W 16	56,000			
Less provision		<u>(2,800)</u>	<u>53,200 [5]</u>	223,150	
<b>Creditors: Amounts falling due within one year</b>					
Creditors			55,600 [2]		
Bank			10,300 [2]		
VAT			8,400 [2]		
Debenture interest due			6,075 [3]		
Tax due			<u>8,000 [2]</u>	<u>(88,375)</u>	
Net Current Assets					<u>134,775</u>
					<u>871,525</u>
<b>Financed by</b>					
<b>Creditors: amounts falling due after more than one year</b>					
9% Debentures					90,000 [2]
<b>Capital and Reserves</b>		<b>Authorised</b>	<b>Issued</b>		
Ordinary shares @ €1 each		500,000 [1]	350,000 [2]		
6% Preference shares @ €1 each		<u>300,000 [1]</u>	<u>200,000 [2]</u>		
		<u>800,000</u>	550,000		
Revaluation Reserve	W 18		81,500 [4]		
Profit and Loss Balance			<u>150,025 [1]</u>		781,525
<b>Capital Employed</b>					<u>871,525</u>

### Question 1 - workings

1. Sales	$1,085,000 - 7,800$	1,077,200
2. Purchases	$480,250 - 33,000$	447,250
3. Direct factory wages	$252,460 - 17,000$	235,460
4. Dep Factory buildings	$45,000 + 11,500$	56,500
5. Dep Plant and Machinery	$54,200 + 1,200$	55,400
6. Loss on sale of Machine	$9,000 - 6,150 - 800$	2,050
7. Prov for Dep – P & M	$130,000 + 55,400 - 6,150$	179,250
8. Plant and machinery	$280,000 - 9,000$	271,000
9. Sale of scrap materials	$4,500 - 800$	3,700
10. Closing stock -FG	$90,000 - 2,000 + 6,500$	94,500
11. Administration expenses	$22,400 - 300 [+200 - 500]$	22,100
12. Patents	$60,000 \div 4$	15,000
13. Bad Debt		500
14. Provision for bad debts		2,800
15. Debenture Interest	$2700 + 4,050$ $175 + 500 + 6,075$	6,750
16. Debtors	$64,500 - 200 - 500 - 7,800$	56,000
17. Factory Buildings	$525,000 + 50,000 + 25,000$	600,000
18. Revaluation Reserve	$25,000 + 56,500$	81,500

**Penalty** – minus 1mark if no expense heading is shown in profit and loss account.