

## Q.1 Manufacturing Account

Manufacturing Account of Austin Ltd for the year ended 31/12/2017 [1]			
	€	€	€
Opening stock of raw materials			41,500 [1]
Purchases of raw materials (N1)			482,700 [3]
Less closing stock of raw materials			<u>(31,500) [1]</u>
<b>Cost of Raw Materials Consumed</b>			492,700
<b>Direct Costs:</b>			
Factory wages (N2)		178,200 [5]	
Hire of special equipment		39,800 [2]	
Royalty payments		<u>26,900 [2]</u>	<u>244,900</u>
<b>Prime Cost</b>			737,600
<b>Factory Overheads:</b>			
General factory overheads (N3)		102,800 [6]	
Depreciation – plant and machinery (N4)		41,000 [3]	
Depreciation – buildings (N5)		14,937 [3]	
Loss on sale of machine (N6)		<u>4,500 [4]</u>	<u>163,237</u>
<b>Factory Cost</b>			900,837
Add work in progress 01/01/2017			38,200 [2]
Less work in progress 31/12/2017			<u>(40,200) [2]</u>
			898,837
Less sale of scrap materials (N7)			<u>(2,100) [4]</u>
<b>Cost of manufacture</b>			<u><b>896,737</b></u>

<b>Trading, Profit and Loss Account for the year ended 31/12/2017</b>			
	€	€	€
Sales (N8)			1,382,500 [4]
Less cost of sales			
Opening stock - finished goods		43,100 [2]	
Cost of manufacture		896,737 [2]	
Less closing stock - finished goods (N9)		<u>(82,100) [3]</u>	<u>(857,737)</u>
Gross profit			524,763
<b>Less Expenses</b>			
<b>Administration</b>			
Administration expenses	59,200 [1]		
Depreciation – buildings (N5)	<u>4,979 [2]</u>	64,179	
<b>Selling and Distribution</b>			
Provision for bad debts (N10)	2,760 [3]		
Selling expenses	<u>45,000 [1]</u>	<u>47,760</u>	<u>(111,939)</u>
			412,824
<b>Add Operating Income</b>			
Discount (N11)		7,400 [3]	
Bad debt recovered		2,500 [1]	
Rent (N12)		<u>12,000 [4]</u>	<u>21,900</u>
Operating profit			434,724
Investment income (N13)			<u>11,000 [3]</u>
			445,724
Less debenture interest (N14)			<u>(23,000) [2]</u>
Net profit			422,724
Less dividends paid			<u>(27,500) [1]</u>
Retained profit			395,224
Profit and loss balance 01/01/2017			<u>38,000 [2]</u>
Profit and loss balance 31/12/2017			<u>433,224 [2]</u>

<b>Balance Sheet of Austin Ltd as at 31/12/2017</b>			
	<b>Cost</b>	<b>Acc. Depreciation</b>	<b>NBV</b>
	€	€	€
<b>Tangible Fixed Assets</b>			
Factory buildings (N15) + (N16)	995,800 [2]	59,916 [1]	935,884
Plant and machinery (N17) + (N18)	<u>400,000</u> [2]	<u>193,500</u> [3]	<u>206,500</u>
	<u>1,395,800</u>	<u>253,416</u>	1,142,384
<b>Financial Investments</b>			
4 % Investments			<u>330,000</u> [3]
			1,472,384
<b>Current Assets</b>			
Closing stock: finished goods (N9)		82,100 [3]	
raw materials		31,500 [2]	
work in progress		40,200 [2]	
Debtors (N19)	46,000 [4]		
Less provision for bad debts (N10)	<u>(2,760)</u> [2]	43,240	
Investment income due		<u>11,000</u> [2]	
		208,040	
<b>Creditors: amounts falling due within 1 year</b>			
Creditors (N20)	61,400 [4]		
Bank (N21)	39,600 [4]		
Debenture interest due (N14)	23,000 [2]		
PAYE, PRSI, USC	20,700 [2]		
Wages due	<u>2,500</u> [1]	<u>(147,200)</u>	<u>60,840</u>
			<u>1,533,224</u>
Financed by:			
<b>Creditors: amounts falling due after 1 year</b>			
8% Debentures			300,000 [2]
	<b>Authorised</b>	<b>Issued</b>	
Ordinary shares @ €1 each	600,000 [1]	550,000 [1]	
5% Preference shares @ €1 each	<u>300,000</u> [1]	<u>250,000</u> [1]	
	900,000	800,000	
Profit and loss balance		<u>433,224</u>	<u>1,233,224</u>
Capital employed			<u>1,533,224</u>

1	Purchase of raw materials	$514,200 - 31,500$	482,700
2	Factory wages	$200,000 - 24,300 + 2,500$	178,200
3	Factory overheads	$91,400 + 12,000 - 600$	102,800
4	Depreciation – plant and machinery	$400,000 @ 10\% = 40,000 + 20,000 @ 10\% \times 6/12 = 1,000$	41,000
5	Depreciation buildings – manufacturing	$2\% \text{ of } 995,800 \times 75\%$	14,937
5	Depreciation buildings – profit and loss	$2\% \text{ of } 995,800 \times 25\%$	4,979
6	Loss on sale of machine	$20,000 - 12,500 - 3,000$	4,500
7	Sale of scrap materials	$5,100 - 3,000$	2,100
8	Sales	$1,400,000 - 17,500$	1,382,500
9	Closing stock of finished goods	$68,100 + 14,000$	82,100
10	Provision for bad debts	$46,000 @ 6\%$	2,760
11	Discount received	$8,000 - 600$	7,400
12	Rent	$9,000 + 3,000$	12,000
13	Investment income	$4\% \text{ of } 330,000 \times 10/12$	11,000
14	Debenture interest	$250,000 @ 8\% = 20,000 + 50,000 @ 8\% \times 9/12 = 3,000$	23,000
15	Factory building	$940,000 + [31,500 + 24,300]$	995,800
16	Acc. depreciation on buildings	$40,000 + 19,916$	59,916
17	Plant and machinery	$420,000 - 20,000$	400,000
18	Acc. depreciation plant and machinery	$165,000 + 41,000 - 12,500$	193,500
19	Debtors	$62,000 - 17,500 + 1,500$	46,000
20	Creditors	$49,400 + 12,000$	61,400
21	Bank	$(43,600) + 1,000 + 3,000$	(39,600)
21	Bank	$(33,300) + (6,300)$	(39,600)