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Manufacturing Accounts

JAYASEKERA MANAGEMENT CENTRE (PVT) LTD Estd. 1972

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1. 2014 July

(A) The following information was extracted from the books of Smiles (Pvt) Ltd, a doll manufacturing company for the year ended 31st March 2014:

Description	Rs.
Inventories as at 01st April 2013	
Raw Materials	550,000
Work in Progress at Factory Cost	200,000
Finished Goods	305,000
Purchase of Raw Materials	2,000,000
Carriage Inwards - Raw Materials	150,000
Direct Wages	800,000
Factory Manager's Salary	500,000
Other Direct Expenses	600,000
Depreciation on Factory Equipment	750,000
Insurance Expenses	200,000
Rent Expenses	240,000
Electricity Expenses	360,000
Inventories as at 31st March 2014	
Raw Materials	650,000
Work in Progress at Factory Cost	180,000
Finished Goods	395,000

The following additional information is also provided:

1. 30% of Insurance, Rent and Electricity expenses should be apportioned to the office.
2. The company has completed 80,000 dolls during the year ended 31st March 2014.

You are required to,

1. Prepare Manufacturing Account of Smiles (Pvt) Ltd for the year ended 31st March 2014.
2. Calculate the manufacturing cost per unit. (12 marks)

2. 2013 June

(B) Consider the following costs of a shoe manufacturer and classify them as Direct Cost or Indirect Cost:

1. Cost of Leather
2. Cost of replacement of factory carpets.
3. Machine Operators' Salaries.
4. Depreciation on office equipment.
5. Packing cost: Cartons and Labels (2 ½ marks)

(Total 10 marks)

3. 2014 July

(B) The following transactions were extracted from the books of Richware Garments, a small scale garment factory during the month of December 2013.

1. Purchase of fabrics – Rs. 1,750,000/-
2. Salaries for machine operators – Rs. 850,000/-
3. Salaries for production quality controllers – Rs. 200,000/-
4. Factory Insurance – Rs. 55,000/-
5. Purchase of buttons – Rs. 30,000/-

You are required to

1. Classify the above cost items as direct or indirect costs. (2 ½ marks)

4. 2015 July

The following information relates to a small scale shoes manufacturing company Red Riders for the 01st quarter ended 30th June 2014

1. Details of Inventory held as at 01st April 2014 and 30th June 2014 are given below.

Type of Inventory	As at 01st April 2014 (Rs.)	As at 30th June 2014 (Rs.)
Raw Materials	75,000	35,000
Work in Progress	12,600	17,000
Finished goods held for Resale	74,000	50,000
Total	161,600	102,000

2. Purchase of Raw Materials for the 01st Quarter is Rs. 1,256,000/-.
3. Salaries, wages and related expenses are as follows:
   - Factory Manager's salary is Rs. 65,000/- per month

- Other production staff's total salaries amounting to Rs. 44,000 per month.
- Direct wages are paid based on the pair of shoes produced. During the 01st quarter 1,250 pair of shoes were produced.
- The payment of direct wages varies based on the employee categorry and the details of employee categories and payment rates are as follows:

Employee Category	Rate per pair of shoes produced (Rs.)
Machine operators	95
Helpers	20

4. Depreciation charge for machinery and factory building per quarter are Rs. 5,000/- and Rs. 8,000/- respectively.
5. Details of other expenses incurred during the 01st quarter are given below.

	Rs.
Factory electricity	120,000
Direct expenses	56,000
Factory maintenance	27,000
Indirect materials	9,000

Following additional information is also provided

1. Work in Progress (WIP) is valued at prime cost.
2. Raw materials amounting to Rs. 13,000/- were damaged due to improper storage arrangements.
3. 25% of the factory building area is used for the Road Riders sales outlet.
4. Manufactured goods are transferred to the sales division with a markup of 25% on its selling price.

You are required to:

a) Prepare Manufacturing Account of Road Riders for the quarter ended 30th June 2014.

b) Compute the value at which the goods are transferred to the sales division.

(14 marks)

5. 2014 Jan

The following information was extracted for the year ended 31st March 2013, from the books of Electro Shock (Pvt) Ltd., a company specialized in manufacturing of sophisticated electrical circuits.

Description	Rs.
Labour Cost	1,500,000
Raw Material Purchases	2,250,000
Inventories as at 01st April 2012 :	
Raw Material	850,000
Work in Progress at prime cost	600,000
Finished Goods	910,000
Factory Salaries	1,000,000
Depreciation – Factory Machinery	400,000
Depreciation – Factory Building	185,000
Factory Insurance	190,000
Electricity Expenses	500,000
Telephone Expenses	70,000
Other Direct Manufacturing Expenses	600,000

The following additional information is also provided.

1. Inventories as at 31st March 2013 were valued as follows:

Depreciation	Rs.
Raw Material	900,000
Work in Progress at prime cost	550,000
Finished Goods	870,000

2. J55% of the electricity and telephone expenses are relevant to the factory operations.
3. The company has obtained the rights to manufacture its electrical circuits under a licensing agreement for which the company has to pay Rs. 3/- per each electricity circuit produced. The company has produced 185,00 circuits during the year ended 31st March 2013. The payment for this has not yet been settled or provided in the books of accounts.
4. 65% of the labour cost was incurred for direct production while the balance was for he general factory operations.

You are required to prepare,

1. The Manufacturing Account for Electro Shock (Pvt) Ltd for the year ended 31st March 2013. (14 marks)

6. 2013 Jan

The following information was extracted from the books of manufacturer fpr the uear ended 31st December 2012:

Description	Rs.
Purchase of raw materials	1,350,000
Carriage inwards	22,500
Direct wages	877,500
Packing cost	75,500
Factory insurance	33,100
Production quality controller's salaries	131,000
Electricity expenses	85,000
Building rent	120,000
Cleaning expenses	20,000
Factory maintenance expenses	180,000

The following additional information is also available:

1. Inventories are valued as follows:
2.

	01.01.2012 Rs.	31.12.2012 Rs.
Raw materials	225,000	168,750
Work-in-Progress (at prime cost	147,900	140,000

3. Out of electricity expenses, building rent and cleaning expenses, 25% should be apportioned to the office.
4. Company has completed 290,250 units during the year ended 31st December 2012

You are required to

a) Prepare the Manufacturing Account for the year ended 31st December 2012.

(10 marks)

b) Calculate the Manufacturing cost per unit. (02 marks)

7. 2012 Jul

The information extracted from the books of the business craft Lanka Toys Manufacturers for the year ended 31st March 2012 are as follows:

Description	Rs.	Apportionment
Purchase of finished goods	400,000	
Raw material purchases	1,850,000	
Carriage inward – Raw material	180,000	
Labour cost	1,500,000	75% direct and 25% indirect
Inventories as at 01st April 2011		
Raw materials	600,000	
Work-in-Progress (at time cost)	450,000	
Finished goods	800,000	
Depreciation – Factory Machinery	350,000	
Depreciation – Building	200,000	90% factory and 10% office
Factory insurance	200,000	
Electricity expenses	100,000	90% factory and 10% office
Telephone expenses	160,000	40% factory and 60% office
Maintenance expenses	130,000	55% factory and 45% office
Security charges	150,000	80% factory and 20% office
Other factory expenses	250,000	

The following additional information is also available:

1. The company has obtained a licence to use colour technology for manufacturing the toys and the fixed licence fee is Rs. 850,000/- for the year.
2. Inventories have been valued as at 31st March 2012, as follows.

Depreciation	Rs.
Raw Material	550,000
Work in Progress (at prime cost)	550,000
Finished Goods	850,000

You are required to prepare,

1. The Manufacturing Account for the year ended 31st March 2012. (12 marks)

(Total 24 Marks)

8. 2012 Jan

The following information was extracted for the year ended 31st March 2011 from the books of Quality Manufacturing which produces household furniture.

Description	Rs.
Labour Cost	1,000,000
Material Purchases	1,250,000
Inventories – Raw Materials (01st April 2010)	500,000
Inventories – work in Progress – at factory cost (01st April 2010)	800,000
Inventories – Finished Goods (01st April 2010)	600,000
Depreciation – Factory Machinery	300,000
Depreciation – Factory Building	175,000
Factory Insurance	100,000
Electricity Expenses	900,000
Telephone Expenses	120,000
Other Direct Manufacturing Expenses	100,000

The following additional information is also available:

1. Inventories as at 31st March 2011 valued at cost are given below:

Depreciation	Rs.
Raw Materials	390,000
Work in Progress (at factory cost)	810,000
Finished Goods	900,000

2. Out of electricity the telephone expenses only 35% is relevant to the factory.

3. Quality manufacturing has obtained a right to manufacture its furniture under a licensing agreement for which a fixed royalty payment of Rs. 500,000/- has to be paid for the year ending 31st March 2011. This has not been recorded in the books of accounts.
4. 25% of the labour cost relates to general factory labour and the balance to workers who are directly involved in the production of the factory.

You are required to prepare,

1. A Manufacturing account for Quality Manufacturing for the year ended 31st March 2011. (10 marks)

9. 2011 Jun

(A) A transport company runs a bus between Nugegoda and Dehiwala a 10 km journey. Seating capacity of a bus is 50 passenger. During June 2011:

1. Wages paid for driver and conductor Rs. 24,000/-.
2. Paid for fuel Rs. 35,000/-.
3. Other operating costs were Rs. 18,000/-.
4. Passengers carried were 75% of the seating capacity, for 30 days.
5. The bus made only one round trip per day.

Calculate the cost per passenger kilometer. (2 ½ marks)

(B) Some of the cost items of Gajini Steel Manufacturers are given below:

1. Steel consumption for the production of chairs.
2. Depreciation of steel cutting machine.
3. Security staff salaries.
4. Wages for welders.
5. Royalty payments for production

You are required to prepare,

State under which of the following items should each of the above expenses items be classified:

1. Direct material
2. Direct wages
3. Direct expenses
4. Indirect materials
5. Indirect wages
6. Indirect expense (2 ½ marks)

(Total 10 marks)

10. 2010 Jan

The information extracted from books of Zip Ltd for the year ended 31st December 2009 is given below:

Depreciation	Rs.
Raw material stock 01st January 2009	600
Raw Material Imports	900
Customs Duty and Transport	250
Work in Progress of 9,000 units at prime cost – 01st January 20019	180
Factory Direct Wages	3,200
Factory Overhead	1,630
Royalty Fee paid to the Patent owner	175
Cost of Plant and Machinery	2,000

1. The factory progress for the year, and Inventory data as at 31st December 2009, were as follows.

Quantity transferred to Sales Division during the year	265,000 units
Quantity ready for transfer to Sales Division on 31st December 2009	10,000 units
Raw materials at the stores on 31st December 2009	Rs. 230,,000
Raw materials at the warehouse of Colombo Cargo Ltd received on 31st December 2009 (this has not been accounted yet)	Rs. 200,,000
Work in Progress as at 31st December 2009 of 4,000 units valued at prime cost	Rs. 100,,000

2. The expenses included in the factory overheads should be apportioned as indicated below:

	Amount Rs.	Factory	Administration
Cleaning and Maintenance	100,000	80%	20%
Security Staff Salaries	120,000	75%	25%
Insurance	30,000	90%	10%

3. The Quality Controller's salary of Rs. 23,000/- for December 2009 has not been accounted yet.

4. The license fee for the patent owner is Rs. 1/- each for every unit completed.
5. The Plant and Machinery is to be depreciated at 10% per annum on the straight-line basis.

You are required to,

a) Prepare the Manufacturing Account for the year ended 31st December 2009
b) Calculate the cost of a completed

11. 2009 Dec

Nimal Steel Manufacturers, a subcontractor for a sewing machine manufacturer is a specialist for sewing machine cabinets. Trial balance of Nimal Steel Manufacturers as at 31st December 2009 included the following:

Description	Rs.
Raw material stock, 01st January 2009	390,000
Fir Insurance new policy	40,000
Direct wages	700,000
Raw material imports	1,200,000
Local purchases of Raw material	1,860,000
Cost of furnace oil for heating	225,000
Electricity	12,000
Water	73,000
Plant & Machinery, tools and dies	4,000,000
Repairs & maintenance of tools & dies	113,000
Repair & maintenance of plant & machinery	148,000
Salaries – Factory Staff	610,000
Insurance – Factory & Building	134,000
Rent	145,000
Rates	10,000
Staff welfare	84,000
General Expenses	130,000

The following additional information was available:

1. Inventories as at 31st December 2009 were valued as follows:

Particulars	Rs.
Raw material – cost	450,000
Furnace oil	25,000

The work-in-progress (WIP) as at 31st December 2009 should be valued at prime cost, which includes heating cost too. There was no WIP at the beginning of the year.

2. The progress of manufacture in the factory for the year was as follows:

Particulars	Rs.
Number of cabinets completed during the year	9,000
Number of cabinets in which work was in progress as at 31st December 2009	25,000

3. Rs. 25,000/- of Rent was relevant to administration.
4. The Plant & Machinery, Tools & dies were to be depreciated by Rs. 400,000/-.
5. Rates, General expenses and Staff welfare costs should be allocated as,

   Factory 80%

   Administration 20%

6. The Quality Controller's salary (Rs. 10,000/- per month) for December 2009 was payable and had not been accounted yet. Staff salaries included Quality Controller's salary for 11 months only.

   Management had decided to pay bonus on a scheme as given below:

   Factory Labourers - Rs. 10/- for each unit of production started during the year.

   Factory Staff - 10% of the annual salary.

   Quality Controller - 20% of the annual salary.

7. Fire insurance relates to a new fire policy for the period 1st October 2009 to 30th September 2010

You are required to prepare,

1. The Manufacturing Account of Nimal Steel Manufacturers for the year ended 31st December 2009. (20 marks)

12. 2009 Jan

The following balances have been extracted from the books of Victoria Manufacturers, dealers of Baby Care items for the year ended 31st March 2009

Particulars	Rs.
Items ready for sale as at 01st April 2008	400,000
Stock of raw materials as at 01st April 2008	368,000
Work in Progress as at 01st April 2008 (at Prime Cost)	176,500
Wages – direct	700,000
Wages – indirect	176,000
Purchase of raw materials	539,500
General factory expenses	115,000
Electricity	57,000
Royalty paid (at Rs. 10/- for each unit sold)	60,000
Rent	36,000
Insurance	42,000
Cost of Plant & Machinery as at 01st April 2008	800,000

The following additional information is available:

1.

	Rs.
Raw materials as at 31st March 2009	239,000
Work in Progress as at 31st March 2009 (at Prime Cost)	189,000
Items ready for sale as at 31st March 2009	600,000

2. Electricity, Rent and Insurance are to be apportioned : Factory $\frac{5}{6}$ Administration $\frac{1}{6}$
3. Plant & Machinery are to be depreciated at 10% per annum on cost.

You are required to prepare,

1. A Manufacturing Account showing the Prime Cost and Cost of Finished goods transferred to the Trading Division of Victoria Manufacturers for the year ended 31st March 2009. (10 marks)

13. 2008 Dec

Following details were extracted from the books of B.B. Engineers, a steel manufacturer for the year ended 31st March 2008.

Particulars	Rs.
Raw material stock as at 01.04.2007	18,450
Work in progress as at 01.04.207	23,600
Finished goods as at 01.04.2007	17,470
Purchases – raw material	75,300
Transport cost on purchases	2,500
Factory wages	75,000
Direct expenses	12,500
Office salaries	13,000
Furnace oil cost	19,800
Rent	45,000
General factory expenses	8,000
Depreciation – machinery	15,000
Office equipment	7,000
Sales	750,000

The following additional information is given:

1. Rent is to be apportioned, Factory $\frac{2}{3}$ and office $\frac{1}{3}$
2. Stocks as at 31.03.2008

	Rs.
• Raw material	30,000/-
• Work in progress	18,000/-
• Finished goods	32,000/-

1.

You are required to prepare,

1. The manufacturing account of B.B. Engineers for the year ended 31.03.2008

(08 marks)

14. 2016 Jan

Following information relates to Safety First Traders which is a sole proprietorship and located in Moratuwa. It mainly produces safety jackets for construction industry.

1. Details of inventory held as at 01st April 2015 are as follows:

Type of Inventory	Rs.
Raw material - fabric	2,715,000
Raw material - accessories	1,252,000
Opening work-in-progress	325,000
Finished goods (1,200 safety jackets at factory cost)	1,260,000

2. Purchase of raw material for the first quarter ended 30th June 2015 is as follows:

Raw material	Rs.
Fabric	3,549,000
Accessories	2,125,000

3. Salaries of indirect production staff for the first quarter are as follows:

Employee category	Rs.
Production executives	225,000
Production non-executives	325,000
	550,000

4. Direct wages are paid based on the number of safety jackets produced and the details are as follows:

Employee category	Rs.
Machine Operators	125
Helpers	25
Packing staff	25

5. Other Direct Expenses incurred for the first quarter – Rs. 1,025,000/-
6. During the first quarter Safety First Traders produced a total of 12,500 jackets.
7. Annual deprecation charge of capital assets was as follows:

	Rs.
Machinery	2,400,000
Factory Building	3,000,000

$\frac{1}{4}$ th of the floor area of the building is used for the stores.

8. Other production related expenses for the first quarter is Rs. 1,350,000/-

The following additional information is also provided.

- Closing stock as of 30th June 2015 are as follows:

	Rs.
Raw material - fabric	1,025,000
Raw material – accessories	875,000
Closing work-in-progress (75% completed)	790,000

- Safety First Traders transfers its' safety jackets produced at the factory to its own sales division at a profit margin of 20% on cost.

You are required to prepare,

1. The Manufacturing Account of Safety First Traders for the first quarter ended 30th June 2015. (10 marks)

15. 2016 July

The following information relates to Fine Tapes Ltd, a company manufacturing tapes, for the year ended 31st March 2016

Inventories as at 01st April 2015 and 31st March 2016 were as follows:

Type of Inventory	01st April 2015 (Rs.)	31st March 2016 (Rs.)
Raw material – Tape Rolls	2,560,000	1,750,000
Work-in-progress (valued at total production cost)	1,225,000	850,000

Details of other expenditure incurred during the year were as follows:

Description	Rs.
Purchase of raw materials	5,950,000
Carriage Inwards (Raw material)	330,000
Depreciation on building	650,000
Depreciation on factory machinery	1,875,000
Wages – machine operators	4,278,000
Salary – Production Manager	750,000

Salaries – Administration staff	450,000
Electricity expenses	1,380,000
Telephone expenses	120,000

The following additional information is also provided:

1. $\frac{1}{10}^{th}$ of the floor area of the building is used for the office.

2. The following accrued expenses have to be accounted for the month of March 2016.

	Rs.
Production manager's salary	65,000
Bonus to machine operators	15,000

3. The following expenses should be allocated according to the given ratios:

Expenses	Factory	Office
Electricity expenses	90%	10%
Telephone expenses	40%	60%

You are required to prepare,

1. The Manufacturing Account for Fine Tapes Ltd for the year ended 31st March 2016.

16. 2017 Jan

Handy Bags Traders is a sole proprietorship engaged in the business of manufacturing of hand bags. The following information relates to Handy Bags traders for the quarter ended 30th June 2016.

	Rs.
Inventories as at 01st April 2016	
Raw materials	1,350,000
Work-in progress – valued at prime cost	725,000
Purchases of raw materials	2,070,000
Carriage inwards – Raw materials	250,000
Factory Manager's salary	1,230,000
Electricity expenses	280,000
Water	80,000
Other direct expenses	855,000

Depreciation	
Building	240,000
Machinery at factory	765,000
Inventories as at 30th June 2016	
Raw materials	1,245,000
Work-in-progress – valued at prime cost	1,050,000

The following additional information is also provided:

1. Direct wages are paid based on the number of hand bags produced and Rs. 150/- is paid per hand bag. 6,000 hand bags were produced during the quarter.
2. 25% of electricity, water and depreciation on building should be apportioned to the office.

You are required to,

a) Prepare the Manufacturing Account for Handy Bags Traders, for the quarter ended 30th June 2016. (08 marks)

b) Calculate the manufacturing cost per hand bag. (02 marks)

(Total 10 marks)

17. 2016 July

The following information were extracted from the books of a Glass Bottles Manufacturer for the year ended 31st March 2017.

	Rs.
Raw material purchases	1,750,000
Salaries – production manager	250,000
Carriage inwards – raw material	300,000
Direct wages production workers	950,000
Building rent	250,000
Depreciation on factory machinery	300,000
Security expenses	120,000
Electricity expenses	275,000
Work-in-progress – valued at prime cost	1,050,000

The following additional information is also provided:

1. Inventories are valued as follows:

	As at 01st April 2016 (Rs.)	As at 31st March 2017 (Rs.)
Raw material	2,300,000	1,800,000
Work-in-progress (valued at total production cost)	1,050,000	710,000

2. The following expenses should be apportioned as follows:

	Factory	Office
Building Rent	80%	20%
Security Expenses	75%	25%
Electricity Expenses	80%	20%

3. In addition to the direct wages, production workers are entitled to get an incentive of Rs. 10/- for each bottle produced during the year. Total number of bottles produced during the year was 8,000.

You are required to,

a) Prepare the Manufacturing Account for the year ended 31st March 2017. (08 marks)

b) Calculate the manufacturing cost per glass bottle. (02 marks)

18. 2018 Jan

The following information relates to Vishwa & sons, a wooden dinning table manufacturer for the year ended 31st March 2017.

	Rs.
Purchase of raw material – teak wood	55,000,000
Carriage inwards – teak wood	2,000,000
Purchase of other direct raw material	24,000,000
Direct wages – production workers	15,000,000
Building rent	2,000,000
Manager's salary	2,500,000
Depreciation on wood cutting machinery	400,000

The following additional information is also provided:

1. Inventories are valued as follows:

	AS at 01st April 2016	As at 31st March 2017
Raw material:		
Teak wood	15,500,000	18,000,000
Other direct raw material	7,500,000	8,00,000
Work-in-progress (valued at prime cost)	1,000,000	1,500,000

2. Building rent should be apportioned as follows:

   Factory : 70%

   Office : 30%

3. Manager of Vishwa & Sons is responsible for both factory related work and office administrative work. 80% of his salary is applicable to factory related work.

4. An incentive of Rs. 6,000/- is paid for each wooden dining table produced. During the year, 250 dining tables were completed at the factory.

You are required to prepare,

1. The Manufacturing Account of Vishwa & sons for the year ended 31st March 2017.

(10 marks)