ACCOUNTING 2013 SOLUTIONS

7. The following was extracted from the books of Moniya manufacturing Entreprises for the year ended 31st December, 2010.

	₦
Stock on 1st January:	
Raw materials	56,000
Finished goods	48,000
Work-in-progress	2,000
Purchase of raw materials	387,000
Manufacturing wages	26,300
Rent and Rates	52,000
Factory expenses	15,500
Depreciation	7,500
Salaries and wages	49, 000
Selling expenses	107,500
Sales	970,000

Additional information:

(i) Stock – 31st December:

Raw materials	42,500
Finished goods	34,800
Work-in-progress	1,200

(ii) Goods manufactured are transferred to sales department at the current market value of
₦ 861,900

(iii) Rent and rates are apportioned ⅘ to factor y and ⅕ to office.

(iv) Salaries and wages include ₦ 21,000 for factory supervision.

(v) On 1st January, 2010, there was a provision of doubtful debts of ₦ 3,600 which was to be adjusted to 5% of debtors ₦ 82,000 31st December, 2010.

You are required to prepare:

(a) Manufacturing account for the year ended 31st December, 2010.

(b) Trading profit and loss account for the same period.

Suggested answer

MONNA MANUFACTURING ENTERPRISE

Manufacturing Account for the year ended 31st December, 2010

Raw materials	₦	₦
Opening stock		56,000
Add purchases		287,000
		443,000

Less closing stock		42,500
Cost of raw materials consumed		400,500
Manufacturing wages		26,300
Prime cost		426,800
Factory Overheads		
Factory rent and rates (4/5*52,000)	41,600	
Factory expenses	15,500	
Depreciation of machinery	7,500	
Factory supervision	21,000	85,600
		512,400
Add Work-in-process (1/1/2010)		2,000
		514,400
Less Work-in-process (31/12/2010)		1,200
Cost of Production		513,200
Manufacturing Profit (861,900-513,200)		348,700
Cost Market Value		861,900

(b) Trading, Profit and Loss Account for the year ended 31st December, 2010

	₦	₦
Sales		970,000
Less cost of sales:		
Opening stock	48,000	
Add market value	861,900	
	909,900	
Less closing stock	34,800	875,100
Gross Profit		94,900
Manufacturing Profit		384,700
		443,600
Less Operating Expenses:		
Rent and rates (1/5* 52,000)	10,400	
Salaries and wages (49,000-21,000)	28,000	
Selling expenses	107,500	
Provision of doubtful debts		
(5% x 82,000-3,600)	500	146,400
Net Profit		297,200

8. Yemoja did keep a complete set of double entry but have been able to provide you with the following information as at 31st December, 2010.

	1st January, 2010	31st December, 2010
	D	D
Machinery	450, 000	505,000
Stock	216,000	246,500
Accrued expenses	12,000	15,000

Trade owing	-	25,000
Trade Creditors	86,000	29,400
Prepaid rates	-	5,000
Trade Debtors	162,800	186,000

Additional Information:
(i) Summary of his statement of account is;

	D
Opening bank balance	26,200
Loan received	100,000
Cash sales banked	1,665,600
Cheques received from debtors	816,200
Cheques paid to creditors	1,701,600
Wages paid	266,700
Rent paid	25,000
Expenses paid	162,600
New machinery acquired	100,000
Drawings	208,000
Closing bank balance	69,100

(ii) Debtors valuing D 42,000 are bad and irrecoverable
(iii) Discount allowed totaled D 31,500
(iv) Discount receivable totaled D 65,400

You are required to prepare:
(a) Opening statement of affairs
(b) Trading, Profit and Loss account for the year ended 31st December, 2010.
(c) A balance sheet as at that date.

Suggested answer

YEMOJA

(a) Statement of affairs as at 1st January, 2010

	D	D	D
Machinery			450,000
Current Assets:			
Stock		216,000	
Trade debtors		162,800	
Bank		26,000	
		405,000	
Less Current Liabilities:			
Trade Creditors	86,000		
Accrued expenses	12,000	98,000	307,000
			757,000
Capital as at 1st January, 2010			757,000

(b) Trading, Profit and loss Account for the ended 31st December, 2010

	D	D
Sales(Wv)		2,578,500
Less cost of sales:		
Opening stock	216,000	
Add Purchases (Wiv)	1,773,400	
	1,989,400	
Less closing stock	246,500	
	1,742,700	
Wages	266,700	2,009,900
Gross Profit		568,900
Discount Allowed		65,400
		634,300
Less Operating Expenses:		
Expenses (Wi)	165,600	
Rent and Rates(25,000 + 25,000)	50,000	
Discount allowed	31,500	
Bad debts	42,000	
Depreciation (Wvi)	45,000	334,100
Net Profit		300,000

(c) Yemoja: Balance sheet as at 31st December, 2010.

	Cost	Acc Depre.	NBV
Fixed Assets	D	D	D
Machinery	550,000	45,000	505,000
Current Assets			
Stock		246,500	
Trade detors		186,000	
Prepaid rates		5,000	
Bank		69,100	
		506,600	
Current liabilities:			
Trade creditors	92,400		
Accrued Expenses	15,000		
Rent owing	25,000	132400	
Net Current Assets			374,200
Net Total Assets			879,200
Financed by:			
Capital			757,000
Add Net Profit			300,200
			1,057,200
Less Drawings			208,000
			849,200
Long term liabilities			

Loan	100,000
Capital Employed	949,200

Workings

(i) Expenses Account

	D		D
Bank	162,600	Bal. b/d	12,000
Bal c/d	15,000	Profit & loss	165,600
	177,600		177,600
		Bal c/d	15,000

(ii) Total Debtors Account

	D		D
Bank	162,800	Bank	816,000
Bal c/d	912,900	Dad debt	42,000
		Discount allow	31,500
		Bal c/d	186,000
	1,075,700		1,075,700

(iii) Total Creditors Account

	D		D
Bank	1,701,600	Bal. b/d	86,000
Discount Rec.	65,400	Purchase	1,773,400
Bal. c/d	92,400		
	1,859,400		1,859,400
		Bad b/d	92,400

(iv) Sales Account

	D		D
Bal. c/d	2,578,500	Debtors	912,900
		Bank	1,665,600
	2,578,500		2,578,500

(v) Machinery Account

	D		D
Bal b/d	450,000	Depreciation	45,000
Bank	100,000	Bal c/d	505,000
	550,000		550,000
Bal. b/d	505,000		

(Vi) Bank Account

	D		D
Bal b/d	26,200	Creditors	1,701,600
Loan	100,000	Wages	266,700

Sales	1,665,000	Rent	25,000
Debtors	816,200	Expenses	162,600
		Machinery	100,000
		Drawings	20,800
		Bal c/d	69,100
	2,608,000		2,533,000

Note:

You will notice that the balance sheet did not balance. This is because the bank account count not balance. The was mistake in the bank account. The credit side of the bank account was reduced by D 75,000.

9. Appiah and Sons limited, a retail organisation in Kumasi open a branch at Bekwai. Ledger accounts are kept at the branch where goods for the branch are invoiced at cost plus 33⅓%.The follwing infrmation had been extrcted from the books of the branch for the year ended december 31, 2011.

	GH₵
Credit Sales	685,000
Cash Sales	260,000
Goods received from head office	900,000
Cheques from debtors	426,000
Goods returned to head office	24,000
Return from debtors	20,000
Branch debtors (1/1/ 11)	98,000
Branch stock (1/1/11)	280,000
Discount allowed	73,000
Dishonoured cheques	55,000

You are required to prepare:

(a) Branch stock Account; (b) Branch Stock Adjusted Account;

(c) Goods sent to Branch Account; (d) Branch Debtors Account.

Suggested answer;

APPIAH AND SONS LIMITED

(a) Branch Stock Account

	GH₵		GH₵
Bal. b/d	280,000	Credit sales	685,000
Goods sent to branch	900,000	Cash sales	260,000
Branch Debtors- Goods returned	20,000	Goods returns	24,000
		Bal. c/d	231,000
	1,20,000		1,200,000
Balance b/d	231,000		

(b) Goods Sent to Branch

	GH₵		GH₵
Balance b/d	18,000	Branch stock	675,000
Generating trading account	657,000	(500,000 x ¾)	
	675,000		675,000

(c)

Branch Stock Adjustment Account

	GH₵		GH₵
Goods returns	6,000	Balance b/d	70,000
(1/4 x 24,000)		(280,000 x ¼)	
Branch Profit and Loss	231,250	Branch stock:	
Bal c/d (1/4 x 231.000)	57,750	Goods sent (1/4 x 900,000)	225,000
	295,000		295,000
		Balancs b/d	57,750

(d)

Branch Debtors Account

	GH₵		GH₵
Balance b/d	98,000	Bank	426,000
Branch Stock- Credit sales	685,000	Goods returns	20,000
Dishonoured cheques	55,000	Discount allowed	73,000
		Balance c/d	319,000
	838,000		838,000
Balance b/d	319,000		

Note: Since the goods are invoice at ost plus 33⅓%it means that mark-up is ⅓ or 100/300 and margin would be ¼ or 100/400. The amount in the question are at invoiced pices because they are in the books of the brank.