

Task IM-9.36: Inventory Valuation by Manufacturing Accounting
(Bestandsbewertung durch Manufacturing Accounting)

HIMBERGEN Ltd. produces sweaters from fabric. The company is based on shares. There was a share issue at the incorporation 200,000 shares at 2.50 EUR each on 1.01.20X3. HIMBERGEN further took a bank loan 500,000.00 EUR which is an annuity 5.5 % interest and 4.5 % initial pay-off both to be paid at the end of the year (30.12.).

HIMBERGEN Ltd. bought sewing machines 600,000.00 EUR (net amount) and writes them off on an annual basis along straight line method over 10 years. There is no residual value to be considered.

HIMBERGEN uses 200 m² fabric per months. Make bookkeeping entries at the middle of the month therefore. It bought 600 m² fabric for 15,000.00 EUR (net amount) on 2.01.20X3. On 1.03.20X3 HIMBERGEN bought 2,000 m² fabric for 61,000.00 EUR (net amount). Use the average method for inventory valuation.

During 20X3 HIMBERGEN Ltd. produced 8,600 sweaters and sold 4,700 ones for 100.00 EUR each (net amount). The overheads contain depreciation and 25,000.00 EUR/month for labour. Manufacturing overheads are applied fully.

Required: Set up a manufacturing accounting by T-accounts and determine the closing stock of inventory which contains raw materials and finished goods if there are any. How much is HIMBERGEN's pretax profit? Set up a statement of financial position for the year end 20X3.

Solution

Observe the bookkeeping entries below:

D Cash/Bank C		D SCap C		D IBL C	
(1) 500.000,00	(3) 27.500,00	c/d 500.000,00	(1) 500.000,00	(4) 22.500,00	(2) 500.000,00
(2) 500.000,00	(4) 22.500,00		b/d 500.000,00	(4b) 23.737,50	
(25) 564.000,00	(5) 720.000,00			c/d 453.762,50	
	(7) 18.000,00			500.000,00	500.000,00
	(11) 73.200,00				b/d 453.762,50
	(23) 300.000,00				
	c/d 402.800,00				
1.564.000,00	1.564.000,00				
b/d 402.800,00					
D Interest-20X3 C		D PPE C		D VAT C	
(3) 27.500,00	c/d 27.500,00	(5) 600.000,00	c/d 600.000,00	(5) 120.000,00	(25) 94.000,00
b/d 27.500,00		b/d 600.000,00		(7) 3.000,00	
				(11) 12.200,00	c/d 41.200,00
				135.200,00	135.200,00
				b/d 41.200,00	
D Depr-20X3 C		D Acc Depr C		D Purchase C	
(6) 60.000,00	(22) 60.000,00	c/d 60.000,00	(6) 60.000,00	(7) 15.000,00	8) 15.000,00
		b/d 60.000,00			
D RM-Inv C		D WIP C		D MOH C	
(8) 15.000,00	(9) 5.000,00	(9) 5.000,00	FG 430.000,00	(22) 60.000,00	WIP 360.000,00
(11) 61.000,00	(10) 5.000,00	(10) 5.000,00		(24) 300.000,00	
	(12) 6.000,00	(12) 6.000,00		360.000,00	360.000,00
	(13) 6.000,00	(13) 6.000,00			
	(14) 6.000,00	(14) 6.000,00			
	(15) 6.000,00	(15) 6.000,00			
	(16) 6.000,00	(16) 6.000,00			
	(17) 6.000,00	(17) 6.000,00			
	(18) 6.000,00	(18) 6.000,00			
	(19) 6.000,00	(19) 6.000,00			
	(20) 6.000,00	(20) 6.000,00			
	(21) 6.000,00	(21) 6.000,00			
	c/d 6.000,00	MOH 360.000,00			
76.000,00	76.000,00	430.000,00	430.000,00		
b/d 6.000,00					
D Labour C		D FG C		D COS C	
(23) 300.000,00	(24) 300.000,00	WIP 430.000,00	COS 235.000,00	FG 235.000,00	P&L 235.000,00
			c/d 195.000,00		
		430.000,00	430.000,00		
		b/d 195.000,00			
D Sales C		D P&L C		D ITL C	
P&L 470.000,00	(25) 470.000,00	COS 235.000,00	Sales 470.000,00	c/d 62.250,00	P&L 62.250,00
		Int 27.500,00			b/d 62.250,00
		EBTc/d 207.500,00			
		262.500,00	470.000,00		
		IT 62.250,00	b/d 207.500,00		
		R/E 145.250,00			
		207.500,00	207.500,00		
D R/E C		D s-t Liab C			
c/d 145.250,00	P&L 145.250,00	c/d 23.737,50	(4b) 23.737,50		
	b/d 145.250,00		b/d 23.737,50		

Exhibit 1: Accounts

The closing stock of raw materials and finished goods amounts to $6,000 + 195,000 = 201,000.00$ EUR.

The pretax profit is 207,500.00 EUR.

See below the statement of financial position as year end of 20X3.

**Himbergen Ltd's
STATEMENT of FINANCIAL POSITION
as of Dec 31, 20X3**

	20X3	20X2
Current assets		
Cash	402.800	
A/R	41.200	
Inventory	201.000	
	<u>645.000</u>	
Non-current assets		
Plant & equipmer	540.000	
	<u>1.185.000</u>	
Current liabilities		
A/P	23.738	
Tax liabilities	62.250	
Notes payable	0	
	<u>85.988</u>	
Long-term debt	453.763	
Owners' equity		
Common stock	500.000	
R/E	145.250	
	<u>1.185.000</u>	

Exhibit 2: Statement of financial position