

Task A9.55: Exercise on Manufacturing Accounting

Numbers in this task are to be derived from your Student-ID. If i.e., your student-ID is 125518, the following amounts will apply: X = 5; Y = 1; Z = 8. Accordingly, the opening stock of frames given in the task as 4X0 units would be for you: 450 units. The other figures apply respectively. You must use your actual student-ID as stated on the enrol list!

ENTER YOUR STUDENT-ID:				X	Y	Z
------------------------	--	--	--	---	---	---

VREDENBOURG Ltd. is an Australian manufacturer for BBQ-stands. The BBQ-stands have a body, a grill and 3 legs. No opening stock of materials applies.

During the Accounting period 20X7, VREDENBOURG Ltd. produces 12,000 BBQ-stands and sells on 22.12.20X7 11,568 thereof to a wholesaler BUYALOT (Pty) Ltd. at 125.00 AUD/u. At that time all job orders have been completed.

Production at VREDENBOURG Ltd. is processed by 3 job orders (lot size: 4,000 units/job order), starting on 2.01.20X7, 2.05.20X7 and 1.09.20X7.

See below the purchase orders at VREDENBOURG Ltd.:

- (1) Purchase of 40,000 legs at 4.Y0 AUD/u on 2.01.20X7.
- (2) Purchase of 10,000 bodies at 25.00 AUD/u on 2.01.20X7.
- (3) Purchase of 5,000 grills at 10.00 AUD/u on 2.01.20X7.
- (4) Purchase of 10,000 bodies at 30.00 AUD/u on 31.03.20X7.
- (5) Purchase of 5,000 grills at 9.50 AUD/u on 31.03.20X7.
- (6) Purchase of 5,000 grills at 11.X0 AUD/u on 30.08.20X7.

VREDENBOURG Ltd. applies a perpetual inventory system and the first-in-first-out formula for all inventory movements.

Direct labour at VREDENBOURG Ltd. for assembling is 15.00 AUD/u. In the Production cost centre indirect labour is amounting to 20Z,000.00 AUD/a and depreciation on the assembling facilities are 100,000.00 AUD/a. The production time per job order is (A): 18,000 min; (B): 19,000 min and (C): 18,X00 min. The predetermined overhead allocation rate is 4.80 AUD/min.

Administration at VREDENBOURG Ltd. is 50,000.00 AUD/a.

Required: Determine the closing stock of legs, bodies, grills and finished goods as at 31.12.20X7. Calculate the profit before tax. Ignore VAT!

Solution (X=5; Y=1; Z=8)

See below the accounts:

Cash/Bank		Inventory legs INL		Inventory body INB	
D	C	D	C	D	C
(1) 1,446,000.00	(2) 164,000.00	(2) 164,000.00	WAP 49,200.00	(3) 250,000.00	WAP 100,000.00
	(3) 250,000.00		WBP 49,200.00	(4) 300,000.00	WBP 100,000.00
	(4) 300,000.00		WCP 49,200.00		WCP 110,000.00
	(5) 50,000.00		c/d 16,400.00		c/d 240,000.00
	(6) 47,500.00		<u>164,000.00</u>	<u>550,000.00</u>	<u>550,000.00</u>
	(7) 57,500.00	b/d 16,400.00	<u>164,000.00</u>	b/d 240,000.00	
	(8) 180,000.00				
	(9) 208,000.00				
	(11) 50,000.00				
	c/d 139,000.00				
<u>1,446,000.00</u>	<u>1,446,000.00</u>				
b/d 139,000.00					

Inventory grill ING		Finished goods inventories FGI		Labour-20X7 LAB	
D	C	D	C	D	C
(5) 50,000.00	WAP 40,000.00	WAP 335,600.00	COS 986,700.00	(8) 180,000.00	WAP 60,000.00
(6) 47,500.00	WBP 38,500.00	WBP 338,900.00		(9) 208,000.00	WBP 60,000.00
(7) 57,500.00	WCP 42,000.00	WCP 350,000.00	c/d 37,800.00		WCP 60,000.00
	c/d 34,500.00	<u>1,024,500.00</u>	<u>1,024,500.00</u>		MOH 208,000.00
<u>155,000.00</u>	<u>155,000.00</u>	b/d 37,800.00		<u>388,000.00</u>	<u>388,000.00</u>
b/d 34,500.00					

Depreciation-20X7		Accumulated depreciation ACC		Administration-20X7	
D	C	D	C	D	C
(10) 100,000.00	MOH 100,000.00	c/d 100,000.00	(10) 100,000.00	(11) 50,000.00	P7L 50,000.00
		b/d 100,000.00			

Work-in-Process A WAP		Work-in-Process B WBP		Work-in-Process C WCP	
D	C	D	C	D	C
LAB 60,000.00	FGI 335,600.00	LAB 60,000.00	FGI 338,900.00	LAB 60,000.00	FGI 350,000.00
INL 49,200.00		INL 49,200.00		INL 49,200.00	
INB 100,000.00		INB 100,000.00		INB 110,000.00	
ING 40,000.00		ING 38,500.00		ING 42,000.00	
MOH 86,400.00		MOH 91,200.00		MOH 88,800.00	
<u>335,600.00</u>	<u>335,600.00</u>	<u>338,900.00</u>	<u>338,900.00</u>	<u>350,000.00</u>	<u>350,000.00</u>

Manufacturing overheads MOH		Sales		Profit and Loss-20X7 P7L	
D	C	D	C	D	C
LAB 208,000.00	WAP 86,400.00	P7L 1,446,000.00	(1) 1,446,000.00	COS 986,700.00	REV 1,446,000.00
DPR 100,000.00	WBP 91,200.00			ADM 50,000.00	
	WCP 88,800.00			MOH 41,600.00	
	c/d 41,600.00			EBT 367,700.00	
<u>308,000.00</u>	<u>308,000.00</u>			<u>1,446,000.00</u>	<u>1,446,000.00</u>
b/d 41,600.00	P7L 41,600.00			b/d 367,700.00	

Exhibit 1: Accounts

Find further the financial statements (not required):

Vredenburg Ltd.'s
STATEMENT of PROFIT & LOSS
and OTHER COMPREHENSIVE INCOME
for the year ended 31.12.20X7

	[AUD]
Revenue	1,446,000.00
Other income	
	<u>1,446,000.00</u>
COS	(1,028,300.00)
Other expenses	(50,000.00)
Earnings before int. & taxes (EBIT)	<u>367,700.00</u>
Interest	
Earnings before taxes (EBT)	<u>367,700.00</u>
Income tax expenses	(110,310.00)
Deferred taxes	
Earnings after taxes (EAT)	<u>257,390.00</u>

Exhibit 2: Income statement

Vredenburg Ltd.'s
STATEMENT of FINANCIAL POSITION
as at 31.12.20X7

A			C, L
<i>Non-current assets</i>	[AUD]	<i>Equity</i>	[AUD]
P, P, E	(100,000.00)	Share capital	
Intangibles		Reserves	
Financial assets		Retained earnings	367,700.00
<i>Current assets</i>		<i>Liabilities (liab.)</i>	
Inventory	328,700.00	Long-term liab.	
Acc. receivables A/R		Short-term liab. A/P	
Prepaid expenses		Provisions	
Cash/Bank	<u>139,000.00</u>	Income tax liab.	
Total assets	<u>367,700.00</u>	Total equity and liab.	<u>367,700.00</u>

Exhibit 3: Balance sheet