

UNIT SEVEN

THEORY

ACCOUNTING
RIHAB FAISAL

Unit 7 | Manufacturing Accounts

- Cost of production of a manufacturing business
- Financial statements of a manufacturing business

7.2 | Financial statements of a manufacturing business

- Manufacturing account
- Cost of sales

Example: Furniture manufacturing business – list of costs

Furniture manufacturing business	(Rs)
Cost of transporting timber	10,000
Purchasing timber	250,000
Machine operators' wages	70,000
Returning timber	10,000
Workshop electricity costs	4,000
Depreciation of machinery	5,000
Opening work-in-progress	20,000
Closing work-in-progress	18,000
Carpentry technician's wages	80,000
Workshop wages	15,000
Cost of painting	5,000
Cost of designing	14,000
Workshop insurance	8,000
Workshop maintenance	4,000
Machinery	50,000
Opening stock of timber	20,000
Closing stock of timber	15,000
Opening finished goods	25,000
Closing finished goods	10,000
Sales income	600,000

Example: Manufacturing account and Income statement

Furniture manufacturing business		
Manufacturing account and Income statement for the year ended 2017.03.31		
	(Rs.)	(Rs.)
Opening stock of timber		20,000
- Timber purchases	250,000	
+ Returns of timber	(10,000)	
	240,000	
- Carriage inwards of timber	10,000	250,000
		270,000
Closing stock of timber		(15,000)
Cost of materials consumed		255,000
Machine operators' wages	70,000	
Carpenters' wages	80,000	
Costs of designing	14,000	164,000
PRIME COST		419,000
Production overhead cost:		
Factory insurance	8,000	
Factory maintenance cost	4,000	
Factory electricity	4,000	
Machine depreciation	5,000	
Factory wages	15,000	
Cost of painting	5,000	41,000
		460,000
Opening work-in-progress	20,000	
Closing work-in-progress	(18,000)	2,000
Total cost of production taken to Trading account		462,000
Sales income		600,000
Opening finished goods	25,000	
Production costs	462,000	
	487,000	
Closing finished goods	(10,000)	477,000
Gross profit		123,000

