1 Eagle Manufacturing Limited produces components for cars and lorries. The following figures have been taken from their books of account.

		$000
Revenue		816
Inventories at 1 April 2012		
Raw materials		17
Work in progress		19
Finished goods		32
Factory machinery	– cost	420
	– accumulated depreciation	52
Office equipment	– cost	30
	– accumulated depreciation	10
Motor vehicles	– cost	60
	– accumulated depreciation	34
Purchases of raw materials		194
Labour		153
Electricity		25
Carriage inwards		6
Carriage outwards		22
Rent		60
Salaries		14
Sundry expenses		12
Insurances		18

Additional information:

1 Inventories at 31 March 2013 were:

Raw materials	$18 000
Work in progress	$15 000
Finished goods	$41 000

2 Factory machinery and motor vehicles are to be depreciated at 25% using the reducing balance method.
Office equipment is to be depreciated at 10% on cost.
During the year a motor vehicle was sold for $4 000. The profit on disposal was $1 000. A new motor vehicle was purchased for $9 000.
All motor vehicles are used by the sales staff.
A full year's depreciation is charged in the year of purchase, no depreciation is charged in the year of sale.

3 At 31 March 2013 electricity of $5 000 was accrued and rent of $10 000 was prepaid.

4 Labour costs include $16 000 for indirect labour. The balance is direct labour.

5 Electricity is apportioned between the factory and office in the ratio 4:1.

6 Rent is apportioned between factory and offices in the ratio 3:2.

7 Sundry expenses are apportioned between factory and offices in the ratio 1:2.

8 Insurances are apportioned between factory and offices in the ratio 5:1.

REQUIRED

(a) Prepare the manufacturing account for the year ended 31 March 2013.

[12]

(b) Prepare the income statement for the year ended 31 March 2013.

[10]

(c) Explain how the following will be affected if the company makes a loss in the year:

(i) Dividend payable for cumulative preference shares

....

....

....

.... [2]

(ii) Dividend payable for ordinary shares

....

....

....

.... [2]

(iii) Dividend payable on non-cumulative preference shares

....

....

....

.... [2]

(iv) Interest payable on debentures.

....

....

....

.... [2]