

# LESSON PLAN

(1)WEEK: SIX (2)DATE: 18th-22nd October 2021 (3)CLASS: S.S.S TWO

(4)SUBJECT: FINANCIAL ACCOUNTING

(5)LESSON TITLE: MANUFACTURING ACCOUNT

(6)SUBTITLE (IF ANY): Treatment of Manufacturing Profit (Market value) with trading profit and loss account and balance sheet.

(7)PERIOD: 1st & 2nd (8)DURATION: 80 Minutes

(9) LEARNING OBJECTIVES: By the end of the lesson, the learners should be able to

(1). Illustrate the meaning of Market value

(2). Calculate the Market Value

(3). Deduce Profit on Manufacturing account

(10)KEY VOCABULARY WORDS: Raw Materials, Labour, Expenses, finished goods, factory overhead, manufacturing cost, work-in-progress.

(11)RESOURCES & MATERIALS: Simplified and Amplified Financial accounting and book keeping by femi Longe, Web Resources: [www.toppr.com](http://www.toppr.com)

(12)BUILDING BACKGROUND/CONNECTION TO PRIOR KNOWLEDGE:

Learners have prior knowledge on the preparation of Manufacturing Account, Trading, Profit and Loss Account.

(13)CONTENT: Transfer Pricing: Market VALUE OF GOODS MANUFACTURED: The usual practice is to transfer the goods produced to the trading account at cost price. But the firm may decide to transfer to the trading account at current market price irrespective of cost. The manufacturing account will show a balance (profit or loss) which will be transferred to profit and loss account. The goods may also be transferred to trading account at cost price plus a fixed percentage.

Badmus Ltd is a manufacturer of kitchen furniture. The following information was extracted from the books of the company for the year ended 31st December 1998.

	Dr ₦	Cr ₦
Plant and machinery	72,000	
Capital.		148, 800
Motor vehicle	36,000	
Loose tools at cost (office)	10, 800	
Sales.		204,000
Purchase of raw materials	51,000	
Factory wages	46,800	
Light and power	6,000	
Machinery repairs	9, 120	
Motor vehicle running expenses.	14,400	
Rent and insurance	13, 920	
Administrative staff salaries	37,200	
Administrative expenses.	10, 800	
Debtors.	19, 800	
Creditors		13,440
Distribution staff salaries.	15, 600	
Cash in hand.	15,000	
Drawings.	7, 200	
Stock of raw materials.	<u>600</u>	<u>        </u>
	<u>366, 240</u>	<u>366, 240</u>

Additional information:

a. Light and power charges accrued a 31st December 1998 amounted to ₦1, 000 and Insurance prepaid at the same date totalled ₦960.

b. Stocks were alued at cost on 31st December, 1998 as follows:

Raw materials            ₦8,400

Finished goods.        ₦12,000

c. Goods manufactured during the year are to be transfered to the trading account at ₦114, 000.

d. Motor vehicle expenses are to be allocated equally to factory expenses and general administrative expenses.

e. Office loose tools on hand on 31st December 1998 vere valued at ₦6,000

f. Plant and machinery and motor vehicle are to be depreciated at the rate of 10% and 25% respectively.

You are required to prepare:

- i. Manufacturing, Trading, Profit and Loss account for the year ended 31st December, 1998.  
 ii. Balance sheet as at that date. (SSCE modified)

Solution:

Manufacturing, Trading, Profit and Loss account for the year ended 31st December, 1998

	₦		₦
Opening stock of RM.	600	Goods transferred to trading	114,000
Add: Purchases of RM.	<u>51,000</u>		
	51,600		
Less: Closing stock RM.	<u>8,400</u>		
Cost of RM consumed.	43,200		
Add: Factory wages.	<u>46,800</u>		
Prime cost.	90,000		
Factory overhead			
Machine repairs	9,120		
Motor running expenses.	7,200		
Depreciation:			
Plant and Machinery	<u>7,200</u>		
	23,520		
Cost of production	113,520		
Profits on goods manufactured	<u>480</u>		
	114,000		<u>114,000</u>
Goods Transferred	114,000	Sales	204,000
Less: Closing stock of FG	<u>12,000</u>		
Cost of goods sold.	102,000		
Gross profit.	<u>102,000</u>		
	204,000		<u>204,000</u>
Expenses:			
Light and power	6,000	GP b/d	
Motor running vehicle expenses	7,200	Profit on manufacture	480
Rent and insurance.	12,960	Net Loss	2,080
Administrative staff salaries.	37,200		
Administrative expenses	10,800		
Distributive staff salaries.	15,600		
Depreciation: Motor vehicle	9,000		
Loose tools	<u>4,800</u>		
	104,560		<u>104,560</u>

Badmus Ltd Balance sheet as at 31st December, 1998

	₦		₦
Capital	148,800	Fixed Assets	
		Motor vehicle (36,000-9,000)	27,000
		P& M. (72,000-7,200)	64,800

Less: Net loss	2,080	Loose tools (10,800-4,800)	6,000
	146,200		
Less: Drawings	7,200	<b>Current Assets</b>	
<b>Current Liabilities</b>		Stock: Raw material	8,400
Creditors	13,440	Finished Goods	12,000
Light and power accrued	1,000	Debtors	19,800
		Cash in hand	15,000
		Insurance	960
	<u>153,960</u>		<u>153,960</u>

Workings:

i. Light and power = 6,000+1,000= 7,000

ii. Insurance = 13, 920-960 = ₦12,960

iii. Motor expenses (Factory) =  $\frac{1}{2} \times 14,440 = 7,200$

General administrative expense =  $\frac{1}{2} \times 14,440 = 7,200$

iv. Loose tools: Cost 10, 800

Depreciation 4,800

Loose Tools in hand ₦6,000

v. Depreciation: plant and machinery =  $10\% \times 72,000 = ₦7,200$

vi. Motor vehicle  $25\% \times 36,000 = ₦9,000$

#### **(14) STRATEGIES & ACTIVITIES:**

**ACTIVITY I:** The teacher uses the chunk and Chew methods to explain market value in manufacturing firm using the worked exercises from the textbook.

**ACTIVITY II:** The teacher asks the Learners to calculate the market value of the given illustration on the board.

**ACTIVITY III:** The learners are given the asked to distinguish between market value figures and the cost of production in a manufacturing Accounts.

**ACTIVITY IV:** The Learners are allowed to ask further questions for clarity sake. The teacher asks the Learners to copy their notes.

**(15) ASSESSMENT (EVALUATION):** Explain in details the difference between market value and Cost of Production using an example to buttress your points.

**(16) WRAP-UP (CONCLUSION):** Manufacturing account is necessary to take into records the transformation of raw materials into finished goods for final consumers.

**(17) ASSIGNMENT:** Question 3 on Manufacturing Account Textbook Simplified and Amplified Book keeping and Financial Accounting by Femi Longe.

**(18) HOD/VP'S COMMENTS & ENDORSEMENT:**