

Manufacturing Accounts

1 A manufacturer provided the following information at the end of his financial year.

	\$
direct materials	314 000
direct labour	181 000
factory overheads	117 000
increase in work in progress	32 000

What was the cost of production?

- A \$346 000
 - B \$410 000
 - C \$580 000
 - D \$644 000
- [1]

2 How is cost of production calculated?

- A direct materials + direct labour + direct expenses
 - B direct materials + direct labour + direct expenses + factory overheads
 - C direct materials + direct labour + direct expenses + factory overheads + decrease in work in progress
 - D direct materials + direct labour + direct expenses + factory overheads – decrease in work in progress
- [1]

3 How is cost of production calculated?

- A direct material + direct labour
 - B direct material + direct labour + factory overheads
 - C direct material + direct labour + factory overheads + increase in work in progress
 - D direct material + direct labour + factory overheads – increase in work in progress
- [1]

4 How does a manufacturing business calculate the production cost of completed goods?

A prime cost + factory overheads + opening work in progress – closing work in progress

B prime cost + factory overheads – opening work in progress + closing work in progress

C prime cost – factory overheads + opening work in progress – closing work in progress

D prime cost – factory overheads – opening work in progress + closing work in progress

[1]

5 Why is it necessary for a manufacturing business to make an adjustment for work in progress in its manufacturing account?

1 to calculate what is needed to complete production

2 to record all factory costs

3 to show only the cost of goods completed

A 1 and 2

B 1 only

C 2 and 3

D 3 only

[1]

6 A manufacturer provided the following information.

	\$
purchases of raw materials	50 000
direct labour	58 000
factory overheads	22 000

At the year end inventory of raw materials had increased by \$4000. Inventory of finished goods had increased by \$9000.

What was the cost of sales?

A \$37 000

B \$46 000

C \$117 000

D \$126 000

[1]

7 The work in progress of a manufacturing business increased during the year.

Which effect does this have?

	on cost of production	on gross profit
A	decrease	increase
B	decrease	no effect
C	increase	decrease
D	increase	no effect

[1]

8 A business provided the following information.

	\$
Cost of raw materials consumed	8000
Decrease in work in progress	450
Machine operators' wages	4800
Factory overheads	4100

What was the cost of production?

A \$12 800

B \$16 450

C \$16 900

D \$17 350

[1]

9 Ajith manufactures all the goods he sells. He provided the following information for the year.

	\$
Opening inventory of raw materials	4 000
Closing inventory of raw materials	6 200
Opening inventory of work-in-progress	8 100
Closing inventory of work-in-progress	10 050
Purchases	121 700
Carriage inwards	3 500
Carriage outwards	4 900

What was the cost of raw materials consumed?

- A \$119 500
- B \$121 050
- C \$123 000
- D \$124 400 [1]

10 Which items may appear in the income statement (trading account section) of a manufacturing business?

- A cost of production and inventories of finished goods only
- B cost of production and inventories of work in progress and finished goods
- C purchases of raw materials and inventories of finished goods only
- D purchases of raw materials and inventories of raw materials only [1]

11 The rent of a manufacturing business is split 60% factory, 10% offices and 30% showrooms.

Business rent is \$40 000 a year and salesmen's salaries are \$12 000 a year.

How much appears in the manufacturing account for these costs?

- A \$24 000
- B \$31 200
- C \$36 000
- D \$46 800 [1]

12 A manufacturing business provided the following information about its first year of trading.

	\$
Purchases of raw materials	128 000
Closing inventory of raw materials	13 000
Purchases of finished goods	65 000
Closing inventory of finished goods	29 000
Factory direct wages	77 000
Supervisor's salary	21 000
Depreciation of machinery	19 000

What was the prime cost?

- A \$38 000
 - B \$74 000
 - C \$152 000
 - D \$192 000
- [1]

13 A manufacturing business provided the following information.

	\$
Opening inventory of finished goods	17 000
Closing inventory of finished goods	12 000
Cost of production for the year	100 000
Purchases of finished goods for the year	70 000

What was the cost of sales for the year?

- A \$75 000
 - B \$105 000
 - C \$170 000
 - D \$175 000
- [1]

14 A manufacturer provided the following information for his financial year.

	\$
prime cost	330 000
factory overheads	190 000
cost of production	524 000
opening work in progress	11 000

What was the value of the closing work in progress?

- A \$4000
- B \$7000
- C \$15 000
- D \$18 000

[1]

15 Which is **not** used to calculate cost of production?

- A inventory of finished goods
- B inventory of raw materials
- C purchase of raw materials
- D work in progress

[1]

16 Which is a factory overhead?

- A carriage on finished goods
- B carriage on raw materials
- C wages of factory supervisors
- D wages of machine operators

[1]