



- 5 The following information was provided by G Limited, a manufacturing company, for the year ended 31 March 2024.

	\$
Purchases:	
Raw materials	68 000
Finished goods	32 413
Wages:	
Factory operatives	183 700
Factory supervisors	47 200
Administration salaries	34 925
Factory machinery at cost	247 000
Provision for depreciation of factory machinery	51 500
Factory general expenses	20 250
Rates & insurance	7 100
Administration expenses	5 470
Carriage on purchases of finished goods	2 180
Royalties	3 240

	1 April 2023	31 March 2024
	\$	\$
Inventory:		
Raw materials	18 200	19 280
Work in progress	23 400	22 650
Finished goods	6 820	9 350

Additional information

- 1 Factory machinery is to be depreciated at 15% per annum using the reducing balance method.
- 2 On 31 March 2024 rates, \$620, were owing.
- 3 Rates and insurance are to be apportioned 60% to the factory and 40% to the office.





G Limited
Manufacturing account for the year ended 31 March 2024

[illegible]



G Limited apply a standard rate of mark-up of 35%.

REQUIRED:

- (b) Prepare the trading section of the income statement of G Limited for the year ended 31 March 2024.

G Limited
Income Statement (Trading section) for the year ended 31 March 2024

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[5]



Question	Answer				Marks																																																																																																														
5(a)	<div style="text-align: center;">G Limited Manufacturing account for the year ended 31 March 2024</div> <table><thead><tr><th></th><th style="text-align: right;">\$</th><th></th><th style="text-align: right;">\$</th><th></th></tr></thead><tbody><tr><td>Cost of materials consumed</td><td></td><td></td><td></td><td></td></tr><tr><td>Opening inventory of raw materials</td><td></td><td></td><td style="text-align: right;">18 200</td><td></td></tr><tr><td>Purchases of raw materials</td><td></td><td></td><td style="text-align: right;">68 000</td><td></td></tr><tr><td></td><td></td><td></td><td style="text-align: right;"><u>86 200</u></td><td></td></tr><tr><td>Less Closing inventory of raw materials</td><td></td><td></td><td style="text-align: right;">19 280</td><td></td></tr><tr><td></td><td></td><td></td><td style="text-align: right;"><u>66 920</u></td><td style="text-align: right;">(1)</td></tr><tr><td>Direct wages</td><td></td><td></td><td style="text-align: right;">183 700</td><td style="text-align: right;">(1)</td></tr><tr><td>Royalties</td><td></td><td></td><td style="text-align: right;">3 240</td><td style="text-align: right;">(1)</td></tr><tr><td>Prime cost</td><td></td><td></td><td style="text-align: right;"><u>253 860</u></td><td style="text-align: right;">(1)OF</td></tr><tr><td>Factory overheads</td><td></td><td></td><td></td><td></td></tr><tr><td>Wages of factory supervisor</td><td style="text-align: right;">47 200</td><td style="text-align: right;">}(1)</td><td></td><td></td></tr><tr><td>Factory general expenses</td><td style="text-align: right;">20 250</td><td style="text-align: right;">}</td><td></td><td></td></tr><tr><td>Factory rates and insurance</td><td></td><td></td><td></td><td></td></tr><tr><td>(7 100 + 620) × 60%</td><td style="text-align: right;">4 632</td><td style="text-align: right;">(1)</td><td></td><td></td></tr><tr><td>Depreciation of factory machinery</td><td></td><td></td><td></td><td></td></tr><tr><td>(247 000 – 51 500) × 15%</td><td style="text-align: right;"><u>29 325</u></td><td style="text-align: right;">(1)</td><td style="text-align: right;">101 407</td><td></td></tr><tr><td></td><td></td><td></td><td style="text-align: right;"><u>355 267</u></td><td style="text-align: right;">(1)OF</td></tr><tr><td>Add Opening work in progress</td><td></td><td></td><td style="text-align: right;">23 400</td><td style="text-align: right;">*</td></tr><tr><td></td><td></td><td></td><td style="text-align: right;"><u>378 667</u></td><td></td></tr><tr><td>Less Closing work in progress</td><td></td><td></td><td style="text-align: right;"><u>22 650</u></td><td style="text-align: right;">* (1) both W in P</td></tr><tr><td>Cost of production</td><td></td><td></td><td style="text-align: right;"><u>356 017</u></td><td style="text-align: right;">(1)OF</td></tr></tbody></table>					\$		\$		Cost of materials consumed					Opening inventory of raw materials			18 200		Purchases of raw materials			68 000					<u>86 200</u>		Less Closing inventory of raw materials			19 280					<u>66 920</u>	(1)	Direct wages			183 700	(1)	Royalties			3 240	(1)	Prime cost			<u>253 860</u>	(1)OF	Factory overheads					Wages of factory supervisor	47 200	}(1)			Factory general expenses	20 250	}			Factory rates and insurance					(7 100 + 620) × 60%	4 632	(1)			Depreciation of factory machinery					(247 000 – 51 500) × 15%	<u>29 325</u>	(1)	101 407					<u>355 267</u>	(1)OF	Add Opening work in progress			23 400	*				<u>378 667</u>		Less Closing work in progress			<u>22 650</u>	* (1) both W in P	Cost of production			<u>356 017</u>	(1)OF	10
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5(c)	<div><div>Advantages</div><div>Better trained staff</div><div>Improved debt collection period/reduce trade receivables turnover/money received from credit customers more quickly/improved cash flow</div><div>Improved credit control</div><div>Risk of irrecoverable debts reduced</div><div>Only have to pay fee once but benefits should continue</div><div>Accept other valid points</div><div>Max 2</div><div>Disadvantages</div><div>Fee charged by consultant/cannot afford the fee</div><div>May damage relationship with customers</div><div>May be reduction in sales</div><div>New procedures are not guaranteed to generate improvements</div><div>No time to train staff</div><div>Additional costs may be incurred</div><div>Accept other valid points</div><div>Max 2</div><div>Recommendation (1)</div></div>	5																																																		