

MANUFACTURING**GRADE 11 (REVISION)
LEDGER ACCOUNTS**

Within the accounting process it is important to work out what the various costs in the manufacturing process are:

- direct material costs
- direct labour costs
- overhead costs
- selling and distribution costs
- administration costs

Raw materials Stock	Purchase raw materials	Dr	Raw material stock
		Cr	Bank / Creditors control
(direct materials)	Returns for credit	Dr	Bank / Creditors control
		Cr	Raw material stock
(current asset)	Send raw materials to manufacturing department	Dr	Direct material cost
		Cr	Raw material stock
		Dr	Work –In-Process stock
		Cr	Direct material cost
<i>Closing balance is the value of raw materials on hand at the end of the year</i>			

Factory overheads cost	Transfer indirect labour to factory overheads	Dr	Factory overheads
		Cr	Wages / salaries
	Transfer indirect materials to factory overheads	Dr	Factory overheads
		Cr	Indirect materials
	Transfer costs relating to factory (depreciation on machinery, electricity, etc)	Dr	Factory overheads
		Cr	Depreciation, Electricity, etc)
	Transfer rent according to floor space ratio	Dr	Factory overheads
		Cr	Rent
	Close off overheads to WIP account	Dr	Work-In-Process
		Cr	Factory overheads

Labour costs	Wages paid	Dr	Wages / Salaries
		Cr	Bank
	Direct labour costs (wages directly related to manufacturing) transferred	Dr	Work-In-Process
		Cr	Wages / Salaries
	Indirect labour costs (wages not directly related to manufacturing) transferred	Dr	Factory overheads
		Cr	Wages / Salaries
	Transfer labour costs related to administration	Dr	Administration costs
		Cr	Wages / Salaries
	Transfer labour costs related to selling and distribution	Dr	Selling and distribution costs
		Cr	Wages / Salaries

Work-In-Process Stock (current asset)	Manufacturing department receives raw material (direct material)	Dr	Work-In-Process
		Cr	Raw material stock
	Direct labour costs (wages directly related to manufacturing) transferred to WIP account	Dr	Work-In-Process
		Cr	Wages
	Transfer overheads to WIP account	Dr	Work-In-Process
		Cr	Factory overheads
	Transfer all completed goods (ready to be sold)	Dr	Finished goods
		Cr	Work-In-Process
<i>The balance of the account is the cost of work not yet completed</i>			

Finished Goods Stock (completed units)	The work-in-process account is closed off to the Finished goods account with the amount of the completed goods	Dr	Finished goods
		Cr	Work-in-process
	Finished goods account is closed off to the Cost of sales account	Dr	Cost of sales
		Cr	Finished goods
<i>The closing balance of the account is the goods that have not been sold</i>			
<i>The closing balance will be shown in the balance sheet as part of inventories</i>			

Consumable stores stock	Indirect material left over at year-end is transferred to Consumable stores stock	Dr	Consumable stores stock
		Cr	Indirect material
	Reversal of the adjustment beginning of next financial year	Dr	Indirect material
		Cr	Consumable stores stock

SUMMARY OF LEDGER ACCOUNTS

RAW MATERIALS STOCK (direct materials in the store room)

Balance (not used last year)	b/d		Direct mat cost (materials sent to factory)		4
Creditors control (raw materials bought)			Balance (amount left in storeroom year end)	c/d	
Bank (raw materials bought)					

DIRECT LABOUR COST (labour costs)

Factory wages			Work-in Process (direct labour)		3
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INDIRECT MATERIALS

Consumable stores stock(reversal)	9		Factory overhead cost (Indirect materials used)		2
Creditors control (bought)			Consumable stores stock (left over year end)		8
Bank (bought)					

DIRECT MATERIAL COST

Raw material stock	4		Work-In -Process stock		10
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CONSUMABLE STORES STOCK

Indirect materials stock (left over year-end)	8		Indirect materials (reversal of adjustment)		9
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(all indirect costs to make the goods) FACTORY OVERHEAD COST (total indirect costs)

Salaries, wages (indirect labour)	1		Work-in Process (allocated overheads)		5
Electricity, etc					
Depreciation (on machinery)					
Indirect materials	2				

WORK-IN-PROCESS

Balance (unfinished tables end of last year)	b/d		Finished goods stock (goods ready to sell)		6
Direct material cost (direct material cost)		4	Balance (unfinished goods)	c/d	
Direct labour cost		3			
Factory overhead cost (allocated overheads)		5			

All direct and indirect expenses to make the goods

FINISHED GOODS

Balance (goods not sold last year)	b/d		Cost of sales (goods sold this year)		7
Work-in-Process (ready to be sold)		6	Balance (goods not sold this year)	c/d	

COST OF SALES

Finished goods (finished goods sold this year)		7	Trading account		8
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TRADING ACCOUNT

Cost of sales		8	Sales		
Profit and loss account (gross profit)		xx			xx

ACTIVITY 6

MANUFACTURING LEDGER ACCOUNTS

REQUIRED:

From the following information you are required to produce the ledger accounts for Uzzi Manufacturers for the year ended 30 June 2014.

Take into account that the mark -up is 150% on cost.

INFORMATION:

Opening balances on 1 July 2013

Direct (raw) materials stock account	R 100 000
Work-in-progress stock account	50 000
Finished Goods Stock account	20 000

Transactions for the year ended 30 June 2014

Raw materials purchased by cheque	R 90 000
Paid wages to the factory employees	10 000
Factory costs and maintenance paid	10 000
Raw materials issued during the year	80 000
Finished goods produced during the year	120 000
Sale units at cost price	105 000

ANSWER

GENERAL LEDGER OF UZZI MANUFACTURERS

BALANCE SHEET SECTION

Dr	RAW MATERIALS STOCK ACCOUNT		B1	Cr

Dr **WORK-IN-PROGRESS STOCK ACCOUNT** B2 Cr

Dr **FINISHED GOODS STOCK ACCOUNT** B3 Cr

NOMINAL ACCOUNTS SECTION

Dr **SALES ACCOUNT** N1 Cr

Dr **COST OF SALES ACCOUNT** N2 Cr

Dr **TRADING ACCOUNT** F13 Cr

