

## Learning Outcome

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Upon completion of this subject, students will be able to:

- 1] Identify differences between companies and partnerships from an accounting perspective,
- 2] Produce final accounts for partnerships and companies,
- 3] Understand and apply the accounting treatments of partnerships when they are dissolved,

## **Learning Outcome**

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Upon completion of this subject, students will be able to:

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4] Understand legal obligations to publish company financial documents and advise on their implementation,

5] Prepare and analyze cash flow statements.

## **Week 1 : Manufacturing Accounts**

In this chapter, you will learn how to prepare manufacturing accounts and the reasons for doing so. You do not touch the preparation of balance sheet at this course.

***Manufacturing account is not retailing account***

For the manufacturers, a *manufacturing account* is prepared in addition to the trading and profit and loss accounts. It is produced for internal use only. People other than the owners and managers of the organization rarely see a manufacturing account.

## **Week 1 : Manufacturing Accounts**

### *Layout*

#### 1] Cost of materials used

Opening stock of raw materials plus purchases of raw materials less closing stock of raw materials.

#### 2] Direct labour costs

Wages paid to workmen engaged on actual production.

#### 3] Direct expenses

Any expenses incurred on actual production.

## **Week 1 : Manufacturing Accounts**

### 4] Prime cost

The subtotal of [1], [2] and [3].

### 5] Factory overheads

Associated with production such as factory rent and rates, salary of works manager, and depreciation of plant and machinery.

### 6] Work in progress at the beginning of the period (added)

### 7] Work in progress at the end of period (deducted)

## Week 1 : Manufacturing Accounts

### *Relationship of Manufacturing and Trading Account*

#### *In Manufacturing account*

Direct materials

+ Direct labour

+ Direct expenses

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= PRIME COST

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+ Factory overheads

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= TOTAL PRODUCTION COST (*see below*)

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## Week 1 : Manufacturing Accounts

### *Relationship of Manufacturing and Trading Account*

#### *In Trading Account*

Sales		X
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Less Cost of sales		
+ Opening stocks finished goods	X	
+ Production costs ( <i>as above</i> )	X	
- Closing stocks finished goods	<u>(X)</u>	<u>X</u>
Gross Profit		<u>X</u>