

26

Manufacturing Accounting

DEMONSTRATION PROBLEM

The columns below are taken from the work sheet of the Lakewood Tub and Tile Company, Inc. The January 1 inventory of work-in-process is \$101,360.

Lakewood Tub and Tile Company, Inc.

Work Sheet

For Year Ended December 31, 20—

	ACCOUNT NAME	STATEMENT OF COST OF GOODS MANUFACTURED		INCOME STATEMENT		
		DEBIT	CREDIT	DEBIT	CREDIT	
1	<i>Sales</i>				1,206,592.00	1
2	<i>Sales Returns and Allowances</i>			10,080.00		2
3	<i>Sales Discounts</i>			9,600.00		3
4	<i>Selling Expenses (control)</i>			149,560.00		4
5	<i>General Expenses (control)</i>			58,888.00		5
6	<i>Raw Materials Purchases</i>	305,600.00				6
7	<i>Direct Labor</i>	389,520.00				7
8	<i>Indirect Labor</i>	88,672.00				8
9	<i>Heat, Light, and Power</i>	22,096.00				9
10	<i>Factory Supervision</i>	21,544.00				10
11	<i>Rent, Factory</i>	14,400.00				11
12	<i>Machinery Repairs</i>	14,336.00				12
13	<i>Depreciation Expense, Machinery</i>	13,904.00				13
14	<i>Factory Supplies Used</i>	3,920.00				14
15	<i>Factory Insurance Expired</i>	2,880.00				15
16	<i>Small Tools Expense</i>	992.00				16
17	<i>Miscellaneous Factory Costs</i>	520.00				17
18	<i>Loss on Disposal of Equipment</i>			6,400.00		18
19	<i>Interest Expense</i>			6,080.00		19
20	<i>Income Tax Expense</i>			36,640.00		20
21	<i>Manufacturing Summary</i>	57,168.00	59,056.00			21
22		101,360.00	106,272.00			22
23	<i>Income Summary</i>			147,680.00	154,240.00	23
24		1,036,912.00	165,328.00			24
25	<i>Cost of Goods Manufactured</i>		871,584.00	871,584.00		25
26		1,036,912.00	1,036,912.00	1,296,512.00	1,360,832.00	26
27	<i>Net Income</i>			64,320.00		27
28				1,360,832.00	1,360,832.00	28
29						29
30						30
31						31

Instructions

1. Prepare a statement of cost of goods manufactured.
2. Prepare an income statement.

SOLUTION

Lakewood Tub and Tile Company, Inc.
Statement of Cost of Goods Manufactured
For Year Ended December 31, 20—

Work-in-Process Inventory, January 1, 20—			\$101,360.00	
Raw Materials:				
Raw Materials Inventory, January 1, 20—	\$ 57,168.00			
Raw Materials Purchases	305,600.00			
Cost of Raw Materials Available for Use	\$362,768.00			
Less Raw Materials Inventory,				
December 31, 20 —	59,056.00			
Cost of Raw Materials Used		\$303,712.00		
Direct Labor		389,520.00		
Factory Overhead:				
Indirect Labor	\$ 88,672.00			
Heat, Light, and Power	22,096.00			
Factory Supervision	21,544.00			
Rent, Factory	14,400.00			
Machinery Repairs	14,336.00			
Depreciation Expense, Machinery	13,904.00			
Factory Supplies Used	3,920.00			
Factory Insurance Expired	2,880.00			
Small Tools Expense	992.00			
Miscellaneous Factory Costs	520.00			
Total Factory Overhead		183,264.00		
Total Manufacturing Costs			876,496.00	
Total Cost of Work-in-Process During				
Period			\$977,856.00	
Less Work-in-Process Inventory,				
December 31, 20 —			106,272.00	
Cost of Goods Manufactured			\$871,584.00	

SOLUTION (concluded)**Lakewood Tub and Tile Company, Inc.****Income Statement****For Year Ended December 31, 20—**

<i>Revenue from Sales:</i>		
<i>Sales</i>		\$1,206,592.00
<i>Less: Sales Returns and Allowances</i>	\$ 10,080.00	
<i>Sales Discounts</i>	9,600.00	19,680.00
<i>Net Sales</i>		\$1,186,912.00
<i>Cost of Goods Sold:</i>		
<i>Finished Goods Inventory, January 1, 20—</i>	\$ 147,680.00	
<i>Cost of Goods Manufactured</i>	871,584.00	
<i>Cost of Goods Available for Sale</i>	\$1,019,264.00	
<i>Less Finished Goods Inventory, December 31, 20—</i>	154,240.00	
<i>Cost of Goods Sold</i>		865,024.00
<i>Gross Profit</i>		\$ 321,888.00
<i>Operating Expenses:</i>		
<i>Selling Expenses (control)</i>	\$ 149,560.00	
<i>General Expenses (control)</i>	58,888.00	
<i>Total Operating Expenses</i>		208,448.00
<i>Income from Operations</i>		\$ 113,440.00
<i>Other Expenses:</i>		
<i>Loss on Disposal of Equipment</i>	\$ 6,400.00	
<i>Interest Expense</i>	6,080.00	
<i>Total Other Expenses</i>		12,480.00
<i>Income Before Income Tax</i>		\$ 100,960.00
<i>Income Tax Expense</i>		36,640.00
<i>Net Income</i>		\$ 64,320.00