

## Waugh Manufacturing Co

Data Input Area	\$	Transaction Summary for Year	\$
<b>Inventories</b>		Raw material purchases	2,200,000
Finished Goods 30/9/X6	450,000	Inward charges on raw materials	190,000
Raw Materials 30/9/X6	400,000	Direct labour	600,000
Work in Process Material 30/9/X6	90,000	Manufacturing expense	220,000
Work in Process Labour 30/9/X6	35,000	Sales of finished goods	7,000,000
Work in Process Expense 30/9/X6	25,000	Advertising	50,000
Finished Goods 30/9/X7	200,000	Audit fee	3,500
Raw Materials 30/9/X7	80,000	Discounts to debtors	12,000
Work in Process Material 30/9/X7	34,000	Discounts to creditors	9,000
Work in Process Labour 30/9/X7	25,000	Cartage Outwards	21,000
Work in Process Expense 30/9/X7	12,000	Insurance	18,000
<b>Adjusting Entries</b>		Light and power (Office)	30,000
Accrued Salaries (Office)	5,000	General expenses	30,000
Accrued Salaries (Factory)	3,000	Rates	35,000
Prepaid Insurance	2,000	Salaries (Office)	500,000
Tax expense	500,000	Salaries (Factory)	600,000
Depreciation expense	35,000	Travellers' commission	180,000
Insurance (Office)	25%	<b>Required</b>	
Insurance (Factory)	75%	(a) Prepare a manufacturing statement for the year	
Rates (Office)	25%	(b) Prepare an income statement for the year	
Rates (Factory)	75%		

See page 68 of your text.

The Patel Company has a gross payroll of \$8 000 per day. Withholdings for PAYG taxes are \$1 200 per day. There are no other deductions from employees' earnings. The firm works five days a week, Monday to Friday inclusive. The payroll period covers Thursday to Wednesday inclusive and the payroll for the week is paid on the following Friday.

Gross payroll consists of \$4800 direct labour, \$1600 indirect factory labour, \$1120 selling expenses and \$480 general and administrative expenses each day. The following calendar should be used to answer the questions:

September						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	<u>25</u>	<u>26</u>	27
28	<u>29</u>	<u>30</u>				

references). Use the internet for further information on this topic. [unilearning.uow.edu.au/report/4b.html](http://unilearning.uow.edu.au/report/4b.html) (<http://unilearning.uow.edu.au/report/4b.html>)

### QUESTION 10 Service department cost allocation (20 marks)

Review the examples in your textbook and see page 100.

#### Direct, step and reciprocal methods of overhead allocation

A firm has two service departments,  $S_1$  and  $S_2$ , and two production departments,  $P_1$  and  $P_2$ . The primary allocation of indirect manufacturing expenses is as follows:

$S_1$	$S_2$	$P_1$	$P_2$	Total
\$15 000	\$13 000	\$30 000	\$40 000	\$98 000

The percentage allocation of service centre costs is:

	$S_1$	$S_2$	$P_1$	$P_2$	Total
$S_1$	0	10	50	40	100
$S_2$	20	0	40	40	100

Re-allocate the service centre costs to the production departments by

- the direct method
- the step method
- the reciprocal services method.

A. Create a manual, handwritten solution. Scan or use your phone to copy and paste an image in your assignment. Office