

## UNIT 8 Manufacturing Accounts

**Recommended Prior Knowledge** Students should have a good understanding of the types of final account of various businesses.

**Context** The Unit looks at the use of a specific final account to measure the expenses of a business which are involved in the activity of manufacturing. This can apply to any of the legal forms of organisation in earlier Units – sole trader, partnership or limited company.

**Outline** Manufacturing is undertaken by some organisations which need to compare whether it is better for them to make goods themselves or to buy in goods made by others and sell them (i.e. be trading businesses).

Syllabus Ref.	Learning Outcomes	Suggested Teaching Activities	Online Resources	Other resources
4.6	<p>Candidates should be able to:</p> <ul style="list-style-type: none"> <li>distinguish between direct and indirect costs</li> <li>identify direct material, direct labour, prime cost and factory overheads</li> <li>make adjustments for work-in-progress</li> <li>calculate factory cost of production</li> <li>prepare Manufacturing and Trading Accounts of a manufacturing business</li> </ul>	<p>Cost is a term known to candidates from the valuation of stock. Explain how the manufacturing account touches on cost and management accounting (as compared with financial accounting) and looks at different types of costs.</p> <p>A manufacturing account is divided into areas depending on the type of cost and these should be illustrated bringing out key aspects such as cost of raw materials used, direct labour, direct expenses, prime cost and factory overheads.</p> <p>Students should practice sufficiently to ensure they do not make a common mistake in examinations of deducting expenses from prime cost. It is important that they are aware that the manufacturing account accumulates costs.</p> <p>Where a business manufactures and trades, the 'cost of manufacture' generally takes the place of 'purchases' within cost of sales.</p>	<p><a href="http://www.accaglobal.com/publications/studentaccountant/12001?session=ffffffefffffffc28288ca40a137f0d9a9c4f8c6ad2017d5a4837ffa10d34f">http://www.accaglobal.com/publications/studentaccountant/12001?session=ffffffefffffffc28288ca40a137f0d9a9c4f8c6ad2017d5a4837ffa10d34f</a></p> <p><a href="http://teachers.cie.org.uk/teacher_support/pdf/7110_w01_qp_2.pdf">http://teachers.cie.org.uk/teacher_support/pdf/7110_w01_qp_2.pdf</a></p> <p><a href="http://www.accaglobal.com/publications/studentaccountant/717017?session=ffffffefffffffc28288ca40a137f0d9a9c4f8c6ad2017d5a4837ffa10d34f">http://www.accaglobal.com/publications/studentaccountant/717017?session=ffffffefffffffc28288ca40a137f0d9a9c4f8c6ad2017d5a4837ffa10d34f</a></p> <p><a href="http://teachers.cie.org.uk/teacher_support/pdf/7110_s02_qp_1.pdf">http://teachers.cie.org.uk/teacher_support/pdf/7110_s02_qp_1.pdf</a></p> <p><a href="http://teachers.cie.org.uk/teacher_support/pdf/7110_w03_qp_2.pdf">http://teachers.cie.org.uk/teacher_support/pdf/7110_w03_qp_2.pdf</a></p>	<p><b>BA</b> 35 <b>IGSCE</b> 18 <b>BM</b> 36, 37</p> <p><b>CIE</b> Nov 2001 Paper 2 Q1(a)</p> <p><b>CIE</b> Jun 2002 Paper 1 Q37, 38</p> <p><b>CIE</b> Nov 2003 Paper 2 Q4</p>