

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

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

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