

Final Accounts of a Sole Proprietorship Business

Manufacturing Account -> Calculate **Factory Cost**

1. Prime Cost/Direct Cost
 - a. Direct Materials
 - b. Direct Labour
 - c. Direct Expenses
2. Indirect Cost/ Overhead Cost
 - a. Indirect Materials
 - b. Indirect Labour
 - c. Indirect Expenses

Direct Materials + Direct Labour + Direct Expense = **Prime Cost**

Indirect Factory Materials + Indirect Factory Labour + Indirect Factory Expenses = **Factory Overhead**

Prime Cost + **Works Cost** + Opening Stock of WIP – Closing Stock of WIP = **Factory Cost/Works Cost**

Some Adjustments for Final Accounts Problem Sums

1. Closing Stock
Manufacturing A/c or Trading A/c – Cr. Side
Balance Sheet – Assets (Dr.)
2. Outstanding Expenses – e.g. Outstanding salaries/wages/rent/
Added with the related expenses in Trading / P/L A/c – Dr.
Balance Sheet – Liabilities (Cr.)
3. Prepaid Expenses – e.g. Prepaid salaries/ rent/
Deducted from the related expenses in Trading / P/L A/c – Cr.
Balance Sheet – Assets (Dr.)
4. Accrued Income – e.g. Accrued commission, royalty
Added with the related income in Trading / P/L A/c -> Cr.
Balance Sheet – Assets (Dr.)

Loss of Fire (appears only in Trial Balance) –

Particulars	Amount (Dr.)	Amount (Cr.)
Loss by fire	10000	

Net Loss= Rs. (10000-7000) = Rs. 3000 -> P/L A/c Dr. side

Balance Sheet – Asset Side -> Insurance Claim -Rs.7000 (Dr.)

11. Wages of Rs. 10000 included in the expenses of construction of Building.

Balance Sheet – Asset side – Deducted from Building cost (Cr.)

Trading A/c – Dr. side – Wages expenses

Wages A/c Dr. 10000

To Building A/c 10000