**Chapter 14 Alternate Demo Problem**

**Using the following information for Superior Manufacturing Company, prepare a manufacturing statement and an income statement for the year ended December 31, 2021. (Assume a 25% income tax.) Further assume that all raw materials used were direct materials and the factory overhead costs were totaled for you on a separate schedule.**

|  |  |
| --- | --- |
|  |  |
|  |  |
| **Raw Materials Inventory January 1, 2021……………………….** | **$20,000** |
| **Raw Materials Inventory December 31, 2021…………………..** | **40,000** |
| **Work in Process Inventory January 1, 2021…………………….** | **50,000** |
| **Work in Process Inventory December 31, 2021…………………** | **80,000** |
| **Finished Goods Inventory January 1, 2021** | **120,000** |
| **Finished Goods Inventory December 31, 2021** | **60,000** |
| **Administrative Expenses** | **30,000** |
| **Selling Expenses** | **60,000** |
| **Sales** | **600,000** |
| **Raw Materials purchases during 2021……………………………** | **150,000** |
| **Direct Labor …………………………………………………………...** | **120,000** |
| **Factory Overhead (per separate schedule) ………………………** | **180,000** |
|  |  |

**Chapter 14 Solution: Alternate Demo Problem**

SUPERIOR MANUFACTURING COMPANY

Manufacturing Statement

For Year Ended December 31, 2021

|  |  |  |
| --- | --- | --- |
|  |  |  |
| **Raw Materials Inventory, 1/1/21** | **$ 20,000** |  |
| **Raw Materials Purchases** | **150,000** |  |
| **Raw Materials Available for Use** | **170,000** |  |
| **Less Raw Materials Inventory, 12/31/21** | **40,000** |  |
| **Direct Materials** |  | **$130,000** |
| **Direct Labor…………………………………………** |  | **120,000** |
| **Factory Overhead** |  | **180,000** |
| **Total Manufacturing Costs** |  | **430,000** |
| **Add: Work in Process Inventory 1/1/21** |  | **50,000** |
| **Total Work in Process Inventory** |  | **480,000** |
| **Less: Work in Process Inventory 12/31/21** |  | **80,000** |
| |  |  |  | | --- | --- | --- | | **Cost of Goods Manufactured** |  | **$ 400,000** | |  | **$ 400,000** |

SUPERIOR MANUFACTURING COMPANY

Income Statement

For Year Ended December 31, 2021

|  |  |  |
| --- | --- | --- |
| Sales |  | **$ 600,000** |
| **Cost of Goods Sold:** |  |  |
| **Finished Goods Inventory, 1/1/21** | **$140,000** |  |
| **Cost of Goods Manufactured** | **400,000** |  |
| **Cost of Goods Available for Sale** | **540,000** |  |
| **Finished Goods Inventory, 12/31/21** | **90,000** |  |
| **Cost of Goods Sold** |  | **450,000** |
| **Gross Profit** |  | **150,000** |
| **Operating Expenses:** |  |  |
| **Selling Expenses** | **30,000** |  |
| **Administrative Expenses** | **60,000** |  |
| **Total Operating Expense** |  | **90,000** |
| **Income before Taxes………………………………….** |  | **60,000** |
| **Income Tax Expense** |  | **15,000** |
| **Net Income after Taxes** |  | **$ 45,000** |