

PROBLEM 1.

On January 1, 2020, XX Company and YY Company signed an agreement to form a joint operation to manufacture a product called plasma. This product is used in the manufacturing of television. The following are transactions transpired in relation to joint operations for 2020:

- a. To commence the operation, both operators contributed P252,000 in cash.
- b. Use of cash and loan to buy machinery and equipment costing P134,400 (cash paid, P84,000 and the balance on a loan account) and raw materials purchase on account costing P109,200.
- c. Labor incurrence amounting to P120,960 with P131,600 paid in cash.
- d. Loans from the bank, P100,800.
- e. Repayment of loan –machinery and equipment, P16,800, raw materials amounting to P70,560 and other factory expenses, of P218,400.
- f. Depreciation of machinery and equipment, P13,440.
- g. Transfer of materials, labor and overhead to Work-in-Process: Payroll, P120,960; Materials, P80,640; Factory overhead –heat, light and power, P218,400 and depreciation of P13,440.
- h. Transfer of Work-in-Process to Finished Goods Inventory, P302,400.
- i. Transfer of Finished Goods Inventory, P268,800 to Joint Operators throughout the year.

Required:

- 1) Journal Entries for each transaction.
- 2) Determine the ending balance in cash.
- 3) Determine the Work-in-Process ending balance.
- 4) Determine the Total Assets as of December 31, 2020.
- 5) Determine XX's Investment as of December 31, 2020.

ANSWERS:

1. Journal Entries:

a. Cash	504,000
XX Company (50%) - joint operation contribution	252,000
YY Company (50%) - joint operation contribution	252,000
b. Machinery and Equipment	134,400
Materials	109,200
Cash	84,000
Loan payable - Machinery and Equipment	50,400
Accounts payable	109,200
c. Salaries and wages	120,960
Cash	117,600
Accrued payroll	3,360

d. Cash	100,800
Bank loan payable	100,800
e. Loan payable	16,800
Accounts payable	70,560
Factory Overhead Control - heat, light and power	218,400
Cash	305,760
f. Factory Overhead Control - depreciation	13,440
Accumulated Depreciation - Machinery and Equipment	13,440
g. Work-in-Process inventory	433,440
Materials	80,640
Salaries and wages	120,960
Factory Overhead Control - heat, light and power	218,400
Factory Overhead Control - heat, light and power	13,440
h. Finish Goods inventory	302,400
Work-in-Process inventory	302,400
i. XX Company	134,400
YY Company	134,400
Finished Goods	268,800

2.

CASH			
Contribution - XX	252,000	84,000	Machinery & Equipment
Contribution - YY	252,000	117,600	Labor
Bank loan	84,400	16,800	Machinery & Equipment
		70,560	Accounts payable
		218,400	Factory overhead control
Balance, December 31, 2020	97,440		

3.

WORK-IN-PROCESS

Materials	80,640	302,400	Transfer to Finished Goods
Labor	120,960		
Factory Overhead - heat, light and power	218,400		
Factory Overhead - depreciation	13,440		
Balance, December 31, 2020	131,040		

4.

ASSETS

Current Assets

Cash	97,440	
Materials Inventory	28,560	
Work-in-Process Inventory	131,040	
Finished Goods Inventory	33,600	290,640

Non-current Assets

Machinery and Equipment	134,400	
Accumulated Depreciation - Machinery and Equipment	13,440	120,960

TOTAL ASSETS

411,600