

QUESTION 1

Cost of sales	
Opening stock	5 700
Purchases (51 200 + 12 800)	64 000
Closing stock	(3 600)
Cost of sales	66 100
Profit/Loss	
Sales	56 600
Cost of sales	(66 100)
Loss	(9 500)

QUESTION 2

Units lost:

200 + 1 400 – 1300	300 units
Closing stock	275 units
Units lost	25 units

Loss:

25 units x R3 500 = R87 500

QUESTION 3

	Units	Cost	
Closing stock			
	34	2 600	88 400
230 -24	206	2 850	587 100
Closing stock	240		675 500

QUESTION 4

4.1.1 Calculate the value of closing stock using the FIFO method.

$$\begin{array}{rcl} 200 & \times & R8\ 000 & = & R1\ 600\ 000 & \checkmark\checkmark \\ 160\checkmark & \times & R11\ 560\checkmark & = & \underline{R1\ 849\ 600} & \checkmark \\ & & & & R3\ 449\ 600 & \checkmark^* \end{array}$$

4.1.2 Calculate the value of closing stock using the weighted average method.

$$\begin{array}{rcl} \text{WA value per unit} & = & R8\ 640\ 000\ \checkmark / 800\ \checkmark \\ & = & R10\ 800\ \checkmark \end{array}$$

$$\begin{array}{rcl} \text{Value of closing stock} & = & 360\ \checkmark\checkmark \times R10\ 800\ \checkmark \text{ see above} \\ & = & R3\ 888\ 000\ \checkmark^* \end{array}$$

4.1.3 Which method of stock valuation would you advise the owner to use? Explain a reason for your answer.

Decision ✓ *Reason* ✓✓

FIFO because TV sets are discrete units and it is easy to identify the cost price of each TV set.

Or:

Weighted average method because the gross profit will be higher or there is no need to track the cost price on each TV set.

4.1.4 Calculate the gross profit on TV sets for the year based on the stock valuation method you advised in QUESTION 2.1.3.

FIFO:

$$R7\ 040\ 000 - (R8\ 640\ 000 - R3\ 449\ 600) = R1\ 849\ 600$$

Weighted Average:

$$R7\ 040\ 000 - (R8\ 640\ 000 - R3\ 888\ 000) = R2\ 288\ 000$$

QUESTION 5

$$\text{Average price: } 6\ 579\ 000 \div 9\ 000 = R731$$

$$\text{Units damaged: } 9\ 000 - 7\ 750 = 1\ 250$$

$$\text{Damaged: } 1\ 250 - 1\ 185 = 65$$

$$\text{Cost: } 65 \times R731 = R47\ 515$$

QUESTION 6

STOCK EVALUATION – SPECIFIC IDENTIFICATION & CALCULATION

You are provided with the stock sheets of Wizzy Washing Machines for the month ended 30 June 2014. The business uses the perpetual inventory system and the specific identification method of valuing stock. All stock was bought on credit. All sales are for cash.

REQUIRED:

Calculate and fill in the missing figures in the stock summary sheet provided.

Calculate gross profit and average mark-up % on all models.

STOCK SUMMARY FOR THE MONTH OF JUNE 2014

Model	Cost price		Stock on 1 June 2014		Units bought		Units sold			Stock on 30 June 2014	
	Cost	Carriage	No of units	Stock value	No of units	Total cost	No of units	Selling price	Total sales	No of units	Stock value
Climax	3 000	150	5	15 750	20	63 000	18	4 800	86 400	7	22 050
Apex	4 000	160	2	8 320	30	124 800	22	6 000	132 000	10	41 600
Ultimex	6 000	170	4	24 680	15	92 550	14	8 700	121 800	5	30 850
			11	48 750	65	280 350	54		340 200		94 500

Cost of sales		
Opening stock	48 750	
Purchases	280 350	
Closing stock	(94 500)	
Cost of sales	234 600	
Gross profit		
Sales	340 200	
Cost of sales	(234 600)	
Gross profit	105 600	
Markup		
$\frac{105\,600}{234\,600} \times 100$		
= 45 %		

