

QUESTION 1

G. The business sells plastic bags to its customers at 50 cents each. The Profit/loss on sale of plastic bags reflects the following:

- Cost of plastic bags purchased: R51 200.
- Cash received from sale of plastic bags: R56 600.

The business uses the periodic stock system for plastic bags. No entries have been made for:

- Reversal of the stock on hand at the beginning of the year, R5 700
- Bags bought on credit in December 2020, R12 800
- Stock on hand at the end of the year, R3 600.

You are required to calculate the correct profit or loss on the sale of the bags.

QUESTION 2

Fridges are valued using the specific identification method. No entry has been made in respect of a fire that occurred in the storeroom. A number of Icekool fridges were destroyed and the insurance company will pay out 80% of the cost of the fridges destroyed. The stock record is as follows:

MODEL	OPENING STOCK	PURCHASES	COST PER UNIT	NUMBER OF UNITS SOLD	CLOSING STOCK
Icekool	200 units	1 400 units	R3 500	1 300 units	275 units
Freezo	0	640 units	R6 750	550 units	90 units

QUESTION 3

Calculate the value of the closing stock of formal suits that was omitted from the stock sheets on 30 June 2021.

The accountant omitted the closing stock figure of formal suits in the trading stock balance provided in Information A.

NOTE:

- The first-in-first-out (FIFO) method is used to value the stock of the formal suits.
- All other relevant entries have been recorded correctly.

The information relating to the stock of formal suits is as follows:

Balances:	QUANTITY	UNIT PRICE	TOTAL VALUE
1 July 2020	110	R1 900	R209 000
30 June 2021	240	?	?
Purchases:	760		R1 943 500
14 Nov. 2020	360	R2 350	R846 000
10 Feb. 2021	170	R2 600	R442 000
18 May 2021	230	R2 850	R655 500
Returns:			
25 May 2021	24	R2 850	R68 400

QUESTION 4

INVENTORY VALUATION

Laser Stores sell television sets to the public. The financial year ends on 28 February 2009.

They are unsure which method to use in valuing their stock. The cost price of the product has changed significantly during the current year.

The owner Larry Laser has decided to keep selling the same model of TV set (*Mabona* TV sets, Model XC456), despite the fact that other shops are selling newer models.

REQUIRED:

- 4.1.1 Calculate the value of closing stock using the FIFO (first-in-first-out) method. (6)
- 4.1.2 Calculate the value of closing stock using the weighted average method. (7)
- 4.1.3 Which method of stock valuation would you advise the owner to use? Explain a reason for your answer. (3)
- 4.1.4 Calculate the gross profit on TV sets for the year based on the stock valuation method you advised in QUESTION 5.1.3. (4)

INFORMATION:

The following information appeared in the records of Laser Stores for the year ended 28 February 2009. The business used a fixed selling price of R16 000 per TV set.

Information on stock of <i>Mabona</i> TV sets Model XC456	Number of TV sets	Value per unit	Total value
TV sets on hand on 1 March 2008	50	R11 000	R550 000
TV sets bought during the year	750		R8 090 000
May 2008	300	R12 000	R3 600 000
September 2008	250	R11 560	R2 890 000
February 2009	200	R8 000	R1 600 000
Subtotal	800		R8 640 000
TV sets sold during the year	440	R16 000	R7 040 000
TV sets on hand on 28 February 2009	360	?	?

QUESTION 5

Stock records:

- The business sells sport shirts.
- The weighted-average method is used to value the shirts.
- The following information was extracted from the records:

	UNITS	UNIT PRICE	TOTAL
Stock balance: 1 March 2021	1 900	R660	1 254 000
Purchases during the year	7 100	R750	5 325 000
Total available for sale	9 000		6 579 000
Stock balance: 28 Febr. 2022	1 185	?	?
Units sold	7 750		

- NOTE: Damaged shirts were not included in the closing stock figure. The damaged shirts must be written off as a loss.

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		20		18	4 800			
Apex	4 000	160	2		30		22	6 000			
Ultimex	6 000	170	4		15		14	8 700			
			11		65		54				