Name

QUESTION 2: INVENTORY VALUATION

2.1 CONCEPTS

Choose the correct term from those given in brackets. Write only the term next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.

2.1.1 The most recent purchases will be considered as closing stock in the (FIFO/weighted-average) stock valuation method.

2.1.2 Merchandise purchased is recorded in a Trading Stock Account in the (perpetual/periodic) inventory system.

2.1.3 Carriage on purchases is recorded as an (asset/expense) in the periodic inventory system. (3 x 1)

2.2 PHOTO-FIX TRADERS

The information relates to Photo-fix Traders for the financial year ended 30 April 2019. The business is owned by Tom Samuels and sells two models of cameras (Grand and De-Lux) and photo frames.

- The stock of cameras is valued using the specific identification method.
- Photo frames are valued using the weighted average method.

REQUIRED:

2.2.1 Calculate the value of closing stock of **cameras** on 30 April 2019.

2.2.2 Calculate the value of closing stock of **photo frames**.

2.2.3 The owner suspects that **photo frames** are being stolen. Provide a calculation to confirm his suspicions.

2.2.4 Tom is thinking of employing an assistant at a wage of R3 500 per month to control the stock of **photo frames**. Explain why this is NOT a good idea. Provide TWO points with figures/calculations.

INFORMATION:

The following information is in respect of the year ended 30 April 2019:

A. CAMERAS: STOCK, BOUGHT AND SOLD

	BOUGHT			UNITS SOLD
	UNITS	UNIT COST	TOTAL	
GRAND MODEL				
Opening stock	20	R5 500	R110 000	14
Purchases	240	R5 750	R1 380 000	170
DE-LUX MODEL				
Net purchases:	**270**		**R1 104 000**	**235**
September 2018	180	R4 000	R720 000	140
Returns	(30)	R4 000	(R120 000)	
January 2019	120	R4 200	R504 000	95

B. PHOTO FRAMES: STOCK, BOUGHT AND SOLD

	UNITS	AMOUNTS
Opening stock	60	R7 200
Purchases	720	R108 000
Returns	30	R4 500
Closing stock	80	?
Sales	657	

2.3 **MANAGEMENT OF INVENTORIES**

The information relates to Lyle Furnishers for the financial year ended 28 February 2019. The business sells cupboards, tables and chairs. No stock went missing during the year.

REQUIRED:

Provide ONE different problem (with figures) relating to EACH product and ONE solution to EACH problem. (9)

INFORMATION:

	CUPBOARDS	TABLES	CHAIRS
Opening stock (units)	200	160	1 300
Purchases (units)	2 500	3 050	6 000
Selling price per unit	R1 750	R850	R350
Credit sales (units)	800	2 400	2 100
Returns by customers (units)	(500)	(10)	0
Cash sales (units)	1 000	600	2 250
Closing stock (units)	400	200	2 950
Cash received from cash sales	R1 750 000	R470 000	R787 500

QUESTION 2

2.1

2.1.1	
2.1.2	
2.1.3	

3

2.2 PHOTO-FIX TRADERS

2.2.1 Calculate:

Value of closing stock of cameras

Workings	Answer

9

2.2.2 Value of closing stock of photo frames

Workings	Answer

8

2.2.3 The owner suspects that photo frames are being stolen. Provide a calculation to confirm his suspicions.

Workings	Answer

5

2.2.4 Tom is thinking of employing an assistant at a wage of R3 500 per month to control the stock of photo frames. Explain why this is NOT a good idea. Provide TWO points with figures/calculations.

	Explanation	Figures
Point 1		
Point 2		

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2.3 MANAGEMENT OF INVENTORIES

Product	Problem	Solution
Cupboards		
Tables		
Chairs		

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