

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 | | |

6

2.3 MANAGEMENT OF INVENTORIES

| Product | Problem | Solution |
|-----------|---------|----------|
| Cupboards | | |
| Tables | | |
| Chairs | | |