



**ACCOUNTING
GRADE 12**


QUESTIONS



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MODULE 1: FIXED TANGIBLE ASSETS

QUESTION 1: FIXED ASSETS

1 YASHPAL LTD

The information relates to the financial year ended 28 February 2018.

REQUIRED:

- 1.1 **Refer to Information A:**
Calculate the figures denoted by (i) to (iii) on the Fixed Asset note. (11)
- 1.2 Prepare the Asset Disposal account on 1 January 2018. (5)

INFORMATION:

A. Fixed Assets:

	VEHICLES	EQUIPMENT
Cost (1 March 2017)	838 000	622 000
Accumulated depreciation (1 March 2017)	(420 000)	(264 000)
Carrying value (1 March 2017)	(i)	358 000
<i>Movements:</i>		
Additions	216 000	0
Disposals	0	(iii)
Depreciation	(ii)	(35 400)
Carrying value (28 February 2018)		
Cost (28 February 2018)		517 000
Accumulated depreciation (28 February 2018)		

- A new vehicle was purchased on 1 October 2017.
- Vehicles are depreciated at 15% p.a. on cost.
- Old equipment were sold on 1 January 2018 for R26 250, cash. A profit of R4 250 was made on this sale.

QUESTION 2 : FIXED ASSETS

The following information relates to the fixed/tangible assets of MJV Traders for the year ended 31 July 2017.

REQUIRED:

Calculate the amounts indicated by (i)–(iv). Show the workings. (16)

INFORMATION:

A. Information from the financial statements for the year ended 31 July 2017:

FIXED/TANGIBLE ASSETS	LAND AND BUILDINGS	VEHICLES	EQUIPMENT
Carrying value on 1 August 2016	2 500 000	264 600	(iii)
Cost price	2 500 000	552 000	900 000
Accumulated depreciation	0	(287 400)	(224 000)
Movement			
Additions	(i)	0	0
Disposals at carrying value	0	0	(iv)
Depreciation	0	(ii)	
Carrying value on 31 July 2017	3 200 000		
Cost price	3 200 000		890 800
Accumulated depreciation	0		

B. Land and buildings

- Extensions to the buildings were done during the current financial year.

C. Vehicles

The business owns two vehicles. Details from the asset register is as follows:

	NISSAN	FORD
Cost	240 000	312 000
Accumulated depreciation on 1/8/2016	(225 000)	(62 400)
Carrying value on 1/8/2016	15 000	249 600

- No vehicles were bought or sold during the year.
- Depreciation is written off on vehicles at 25% p.a. on the cost price method.

D. Equipment

A photocopier was sold for cash to Zibu Internet Shop on 30 April 2017. The photocopier was sold at a loss of R250 due to damages. According to the Fixed Assets Register, the photocopier was originally purchased for R9 200. Accumulated depreciation on this item was R6 400 on 1 August 2016.

Depreciation on equipment is written off at 20% p.a. on the diminishing balance method.

QUESTION 3
FIXED ASSETS – GIANTS LTD.

Giants Ltd had the following information in their Fixed Asset Note on 30 June 2018:

Fixed Assets	Delivery Vehicles	Equipment
Cost price	1 000 000	200 000
Accumulated depreciation	(440 000)	(80 000)
Carry value on 1 July 2017	560 000	120 000
Movements:		
Additions	0	?
Disposal at carry value	(220 000)	0
Depreciation	(150 000)	?
Carry value on 30 June 2018	190 000	155 000
Cost price	500 000	?
Accumulated depreciation	310 000	(105 000)

REQUIRED

3.1 Vehicles:

The business owns two identical vehicles that were bought on the same day. One of the vehicles was sold for R245 000 on 31 December 2017. Calculate the profit or loss from selling the asset.

(5)

3.2 Equipment:

(a) Calculate the cost price of equipment purchased. (2)

(b) Calculate the depreciation on equipment for the year ended 30 June 2018. (Do not use the 10% mentioned in no c.) (4)

(c) If depreciation is calculated at 10% per year on the cost price, determine the date on which the new equipment was bought. (4)

(d) Equipment consists of smaller tools used in a workshop. The owner is concerned because these tools have to be replaced on a regular basis.

Name TWO control measures that can be put into place to avoid this. (2)

QUESTION 4

Fixed/Tangible assets

Complete the Fixed/Tangible Asset Note for the year ended 30 June 2018.

	Buildings	Vehicles	Equipment
Carrying value - 1 July 2017	3 452 000	413 400	83 200
Cost	3 452 000	872 000	340 000
Accumulated depreciation	0	(458 600)	(256 800)
Movement			
Additions at cost	?	0	?
Disposals at carrying value	0	?	0
Depreciation	0	?	?
Carrying value - 30 June 2018	4 522 800	?	?
Cost	4 522 800		
Accumulated depreciation	0		

Additional information in respect of fixed assets:

- An extension to the office block was undertaken during the year.
- The business had three vehicles at the beginning of the year. The following details appeared in the Fixed Asset Register on 1 July 2017:

	Vehicle 1	Vehicle 2	Vehicle 3
	240 000	352 000	280 000
Accumulated depreciation	(225 000)	(70 400)	(163 200)
Carrying value	15 000	281 600	116 800

NOTE: Vehicle 1 is old and is reaching the end of its useful life.

Vehicle 3 was sold at its carrying value of R102 800 during the year.

- Equipment of R116 000 was purchased on 1 December 2017. No equipment was sold.

- Depreciation policy: Vehicles: 20% on cost
Equipment: 15% on carrying value

MODULE 2: BANK RECONCILIATION STATEMENTS

QUESTION 1: BANK RECONCILIATION, CREDITORS' RECONCILIATION AND INTERNAL CONTROL

1.1 CONCEPTS

Choose a term from the list below to complete each of the following statements. Write only the term next to the question number (1.1.1–1.1.4) in the ANSWER BOOK.

outstanding cheque; bank overdraft; stale cheque;
debit order; dishonoured cheque; outstanding deposit

- 1.1.1 A cheque that is more than six months old will not be cashed by the bank because it is a/an ...
- 1.1.2 Permission granted to a third party to automatically receive monthly payments from the current account of a business.
- 1.1.3 An item shown as an 'unpaid' cheque on the Bank Statement will be regarded as a/an ...
- 1.1.4 A facility whereby the business can use more money than they have in their current banking account. (4 x 1) (4)

1.2 BANK RECONCILIATION

The given information relates to Grapevine Traders for February 2018.

REQUIRED:

- 1.2.1 The Bank account in the books of Grapevine Traders reflects a debit balance of **R16 160** on 28 February 2018 before taking all the adjustments/transactions into account.
- Refer to information A and B.**
- Calculate the correct Bank account balance on 28 February 2018. (7)
- 1.2.2 The internal auditor is concerned about the management of cash.
- Explain TWO different problems to justify his concern. Quote figures. (4)
 - Give advice (TWO points) on how such problems can be avoided in future. (2)

INFORMATION:

A. Extract from the Bank Reconciliation Statement on 28 February 2018:

Outstanding deposits:	Dated 12 February 2018	R 24 000
	Dated 18 February 2018	12 760
Outstanding cheques:	688 (dated 2 February 2018)	4 720
	713 (dated 24 February 2018)	7 880
	738 (dated 15 April 2018)	15 400
Credit amount wrongly debited		2 500
Balance as per Bank Statement		?

NOTE:

- The outstanding deposit of R24 000 did not appear on the Bank Statement for February 2018. An investigation revealed that this money was never deposited. The cashier employed in January has left the country and cannot be traced.
- The Bank Statement reflected cheque 688 correctly as R4 270.

B. Information on the February 2018 Bank Statement, which was not taken into account when calculating the balance of the Bank account:

- The Bank Statement showed an unpaid cheque for R2 710 which had originally been received from a debtor.
- A stop order, R1 650, for insurance.

QUESTION 2 RECONCILIATIONS

2.1 BANK RECONCILIATION

The information below was taken from the accounting records of Yata Traders.

REQUIRED

- 2.1 Calculate the correct balance of the Bank Account on 28 February 2018. (12)
- 2.1 Prepare the Bank Reconciliation Statement on 28 February 2018. (8)
- 2.1 **Refer to information A.** The owner asked the bookkeeper, Ray Duncan, why the deposit of R2 050 was not yet deposited. Ray said that she was very busy at that time and could not deposit the money. She kept it in her drawer and forgot about it. She brought it to the owner and said that she will deposit it as soon as possible.
- What control measures can the owner put in place to avoid this situation in the future? Provide TWO measures. (2)
- 2.1 **Refer to Information D.** When the financial statements will be drawn up on 28 February 2018, an adjustment has to be made for cheque no. 1010 where R780 has to be added to Bank and to Trade and other Payables. Explain why this adjustment has to be made and why the R780 has to be added to Trade and other Payables. (4)

INFORMATION

A. Extract of the Bank Reconciliation Statement on 31 January 2018:

Outstanding cheques	
No 878	R 540
No 886	R 1 430
No 912	R 1 950
No 928	R 500
Outstanding deposits	
23 Dec 2017	R 2 050
31 Jan 2018	R 1 800

- Cheque no 878 was issued on 18 August 2017 for stationery.
- Cheques no 886 and 912 were reflected on the Bank Statement for February 2018.

B. The debit balance of the Bank Account in the General Ledger on January 2018 was R12 500. 31

C. Provisional totals:

- CRJ: Total R34 360
- CP : Total R37 480

D. Items reflected in the Journals for February 2018, but not on the Bank Statement:

- A deposit made by Yata Traders on 31 January 2018, R3 400.
- The following cheques:
 - No 987 for R2 700
 - No 1010 for R780, dated 4 March 2018
 - No 1013 for R1 400.

Note: Cheque no. 987, dated 13 February 2018, issued to a creditor in settlement of our account of R2 900, was lost. Payment of this cheque was stopped. No new cheque was issued.

- Cheque no. 995 was issued for trading stock purchased. The amount was recorded as R790 in the Cash Journal, but the correct amount of R970 reflected in the Bank Statement.

E. Items on the February Bank statement, but not in the Cash journals:

- A deposit of R1 800 on 11 February 2018.
- Bank charges, R780
Interest on a favourable balance, R250
- A dishonoured cheque originally received from a debtor, R1 750.
- The tenant made an electronic transfer for the monthly rent, R2 500.
- A debit order for instalment of the owner's vehicle, R3 100.

F. The bank statement reflected a favourable balance on 28 February 2018.

QUESTION 1: CREDITOR'S RECONCILIATIONS; INTERNAL CONTROL OVER DEBTORS

1.1 CREDITORS' RECONCILIATION:

Broad Stores purchase goods on credit from Ashes Ltd.

REQUIRED:

Use the table in the ANSWER BOOK to indicate how the relevant balances will change when preparing the creditors' reconciliation. Indicate the figure as well as (+) for increase and (-) for decrease. The first transaction has been done for you.

INFORMATION:

The following balances are provided

In the account of Ashes Ltd in the Creditors' Ledger of Broad Stores on 31 August 2018:	R114 485	Credit
On the statement received from Ashes Ltd on 25 August 2018:	R182 150	Debit

The following errors and omissions were discovered during an investigation:

- A. A payment by Broad Stores of R9 500 was omitted from the Creditors' Ledger and the statement of accounts.
- B. An invoice for goods bought for R87 000 was reflected on the statement from Ashes Ltd but was not recorded by Broad Stores.
- C. An invoice for R28 000 received from Ashes Ltd was recorded correctly by Broad Stores. The statement of account reflects it as R21 100.
- D. Broad Stores had correctly recorded discount of R1 350 for early payment of their account. This has not been reflected on the statement from Ashes Ltd.
- E. The statement of accounts reflects interest of R730 on the overdue account. Ashes Ltd acknowledged that an error had been made and promised to reverse the entry in the September 2018 statement.
- F. A debit note for R2 000 issued to Value CC was incorrectly recorded in the account of Ashes Ltd by Broad Stores.
- G. A credit note for R5 350 received from Ashes Ltd for goods returned was incorrectly recorded as an invoice by Broad Stores.

- H. Ashes Ltd included returns of R1 215 on the statement. This was returns by another client, Road Stores.
- I. Goods purchased from Ashes Ltd on 31 August 2018 for R4 600 were recorded by Broad Stores. The statement of accounts from Ashes Ltd is dated 25 August 2018.

QUESTION 2: RECONCILIATION AND VAT

2 CREDITORS RECONCILIATION

Ladoo Traders buys goods on credit from Anami Suppliers. The information relates to August 2018.

REQUIRED:

2.1 Use the table in the ANSWER BOOK to indicate how the balances will change when preparing the creditors reconciliation. Indicate the figure as well as a + for increase and a – for decrease. (11)

2.2 **Refer to Information (vi):**

An investigation revealed that only R21 500 of these goods were entered in the stock records. The remaining goods were ordered by M. Rice, the credit manager.

- Provide TWO possible actions that can be taken against M. Rice. (4)

- Explain TWO internal control measures that the business can use to prevent such incidents in future. (4)

INFORMATION:

A. **Balances:**

Account of Anami Suppliers in the Creditors Ledger of Ladoo Traders on 31 August 2018	R95 160	Cr
Statement from Anami Suppliers on 25 August 2018	R143 460	Dr

B. **Errors and omissions discovered during an investigation:**

- (i) An invoice for R26 000 received from Anami Suppliers was recorded correctly by Ladoo Traders. The statement reflects it as R20 600.
- (ii) Ladoo Traders had correctly recorded a discount of R820 for an early payment. This did not appear on the statement from Anami Suppliers.
- (iii) The statement reflected interest of R1 240 on an overdue balance. Anami Suppliers acknowledged that an error had been made.
- (iv) A debit note for R1 520 issued to Amanda Ltd was incorrectly recorded in the account of Anami Suppliers by Ladoo Traders.
- (v) A credit note for R2 440 received from Anami Suppliers for goods returned was incorrectly recorded as an invoice by Ladoo Traders.
- (vi) An invoice for R47 500 was reflected on the statement from Anami Suppliers but was not recorded by Ladoo Traders.
- (vii) A payment of R7 500 by Ladoo Traders on 27 August 2018 was recorded in the Creditors Ledger account of Anami Suppliers.

QUESTION 3: RECONCILIATIONS AND INTERNAL CONTROL

3.1 CREDITORS' RECONCILIATION

MZN Traders buys goods on credit from Styles Suppliers.

REQUIRED:

- 3.1.1 Use the table in the ANSWER BOOK to indicate how the balances given, will change when preparing the creditors' reconciliation. Indicate the figure as well as a + for increase and a – for decrease.

(14)

INFORMATION:

Balance due to Styles Suppliers on 31 July 2018 as per Creditors' Ledger account in the books of MZN Traders	12 160 (Cr)
Balance due by MZN Traders on 28 July 2018 as per statement of account received from Styles Suppliers	41 380 (Dr)

ERRORS AND OMISSIONS:

- A** A payment of R8 700 by MZN Traders was not recorded in the Creditors' ledger account and appear not on the statement as well.
- B** A discount of R950 for early payment was correctly recorded by MZN Traders. This was not reflected on the statement.
- C** MZN Traders recorded a debit note of R1 540 in the Creditors' ledger account of Styles Suppliers in error. This was for goods returned to another supplier.
- D** An invoice for R28 600 received from Styles Suppliers was recorded correctly in the Creditors' Ledger account. The statement of account reflected this invoice as R26 800.
- E** The statement of account showed an invoice for goods purchased, R5 930. This transaction was not recorded in the books of MZN Traders.
- F** An invoice of R4 700 was incorrectly recorded as a payment by MZN Traders.
- G** A debit balance of R2 925 for repairs to a photocopier was transferred from the account of Styles Suppliers in the Debtors Ledger to their account in the Creditors Ledger. This transaction was not recorded by Styles Suppliers.
- H** A payment of R10 275 made on the 29 July 2018 by MZN Traders was not reflected in the statement.

3.1.2 **Refer to information E:**

An investigation revealed that this invoice was not recorded as the goods were taken by the store man, A Skelm for his private use.

- (a) Suggest TWO possible actions that the business can take against the store man. (4)
- (b) Provide THREE internal control measures that the business can use to prevent similar incidents in future. (6)

1 DEBTORS' RECONCILIATION

The information below relates to Donovan Traders for March 2018.

REQUIRED:

- 1.1 Provide ONE reason why the balance of the Debtors' Control Account and the total of the Debtors' List should be the same. (2)
- 1.2 Calculate the correct Debtors' Control Account balance after taking into account the relevant errors and omissions. (6)
- 1.3 Calculate the correct balances for debtors B Tom and C Dick by taking into account the errors and omissions. (8)

INFORMATION:

Balance and totals on 31 March 2018 (before errors and omissions).

Debtors' control account in the General Ledger	R111 000
Debtor's list: (before errors and omissions)	
B Tom	R51 300
C Dick	R55 120

Errors and omissions

- A. The Debtors' Journal was incorrectly totalled as R34 320 instead of R29 140.
- B. An invoice issued to debtor B Tom for R900 has not yet been recorded in the books of Donovan Trader.

- C. A cheque of R6 750, received from debtor C Dick in full settlement of his account of R7 500, was returned by the bank marked R/D, insufficient funds. This transaction was not recorded.
- D. The bookkeeper posted an invoice for R1 500 to the wrong side of a debtor B Tom's account. Posting to the General Ledger was correct.
- E. Goods sold on credit to debtor C Dick for R5 900 were correctly recorded in the Debtors' Journal but incorrectly posted to her account in the Debtors' Ledger as R9 500.

QUESTION 2

DELUSH LTD.

The debtors' age analysis of Delush Ltd. on 28 February 2018, is presented.

REQUIRED:

- 2.1 Identify the problem with debtor G. Hugo. Quote figures.
- 2.2 What should the credit controller do about N. Tshabalala's account in March 2018? Give THREE actions.
- 2.3 Explain why debtor, A. Wijn, should be handed over to the attorneys.

INFORMATION:

A. Debtors' Age Analysis on 28 February 2018:

Debtor	Credit Limit	Current	30 days	60 days	90 days	> 90 days
A. Wijn	5 000					5 000
G. Hugo	5 500	4 200	1 550			
B. Luus	3 000	2 150			80	
N. Tshabalala	6 000	1 850	1 425	1 350	1 175	
W. Morgan	3 500	1 550	800	620		
L. Ntshinga	5 000	3 250				
		13 000	3 775	1 970	1 255	5 000

B. The terms allowed to debtors are as follows:

- If paid within 30 days, a 2% discount will be allowed.
- If not paid after 60 days, 5% p.a. interest will be charged.
- If not paid after 90 days, the account will be handed to the attorneys for collection.

MODULE 3 : INVENTORY VALUATION

QUESTION 1: INVENTORY VALUATION

(45 marks; 25 minutes)

- 1.1 Provide a stock valuation method that is best described by each statement below. Write only the valuation method next to each number (5.1.1 – 5.1.3) in the ANSWER BOOK.
- 1.1.1 Unique stock items of high value such as motor cars are valued individually.
- 1.1.2 Stock of appliances such as microwave ovens are always reflected at their most recent cost price.
- 1.1.3 Low-cost items such as golf balls are purchased in large quantities and reflect a similar value over time. (3)
- 1.2 **CASUAL OUTFITTERS**
- The information relates to Casual Outfitters, owned by Funiwe, for June 2018. The business sells men's jeans. Stock is valued using the weighted average method and the periodic inventory system.
- REQUIRED:**
- 1.2.1 Calculate:
- Amount paid for carriage on 11 June 2018 (4)
 - Value of the closing stock on 30 June 2018 (9)
- 1.2.2 Funiwe wants to change the method of valuing stock. The value of closing stock using the FIFO method will be R4 853 higher than the value using the weighted-average method.
- Explain the effect that this decision will have on the gross profit. (2)
 - Give ONE valid reason **for** and ONE valid reason **against** changing the stock valuation method. (4)
- 1.2.3 Funiwe is concerned about the control of her stock of jeans. She has sold 1 788 pairs of jeans during the year. Provide a calculation to support her concern. (5)
- 1.2.4 Comment on the stock balance on 30 June 2018. Is this appropriate? Explain. Provide ONE point. (3)

INFORMATION:**A. Stock balances:**

DATE	NO. OF UNITS	TOTAL COST
1 June 2018	230	R28 633
30 June 2018	415	?

B. Purchases and returns:

Date	No. of units	Price per unit	Carriage on purchases	Total cost
11 June 2018	835	R130	?	R116 065
18 June 2018	780	R142	R7 020	R117 780
26 June 2018	380	R148	R3 420	R 59 660
Total purchases	1 995			R293 505
Returns from 18 June purchases	15	The supplier refunded the purchase price, excluding the carriage cost.		?

1.3 PROBLEM SOLVING

Jay's Furnishers sells desks and chairs. The financial year ended on 28 February 2018.

REQUIRED:

Where applicable, provide relevant figures for ALL questions below.

1.3.1 Desks:

- What decision did Jay take regarding the selling price of the desks? (3)
- Explain TWO points on how this decision has affected the business. (6)

1.3.2 Chairs:

Jay decided to buy his chairs from a cheaper supplier. Provide TWO points on why you feel that this was NOT a good decision. (6)

INFORMATION:

	DESKS		CHAIRS	
	2018	2017	2018	2017
Orders received from customers	250	330	500	450
Gross units sold	250	318	380	450
Returns by customers	0	12	56	0
Selling price per unit	R420	R360	R126	R168
Cost price per unit	R240	R240	R90	R120
Mark-up %	75%	50%	40%	40%
Gross profit	R45 000	R36 720	R11 664	R21 600
Stock turnover rate	5,4 times	7,4 times	5,2 times	5,2 times

QUESTION 2: INVENTORY VALUATION AND INTERNAL CONTROL
minutes)

(40 marks; 25

2.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question number (2.1.1–2.1.4) in the ANSWER BOOK.

- 2.1.1 Periodic inventory system assumes that stock is sold in the order of date purchased. (1)
- 2.1.2 Perpetual inventory system ensures that cost of sales is calculated at the point of sale. (1)
- 2.1.3 FIFO stock valuation method will record the closing stock at the most current stock price. (1)
- 2.1.4 Specific identification inventory method assigns a unique or individual value to each stock item. (1)

2.2 **STAYFIT SPORTS SHOP**

The information relates to Stayfit Sports Shop for the financial year ended 28 February 2018. The business sells soccer boots and sneakers.

Stock is valued using the periodic inventory system and the following valuation methods:

ITEMS	STOCK VALUATION METHOD
Soccer boots	Weighted-average
Sneakers	First-in-first-out (FIFO)

REQUIRED:

- 2.2.1 Calculate the value of closing stock for:
- Soccer boots (10)
 - Sneakers (4)
- 2.2.2 Calculate the following for sneakers:
- Cost of sales (4)
 - Gross profit (4)
- 2.2.3 The owner suspects that a number of pairs of soccer boots were stolen. Justify his suspicion by a calculation. (5)

INFORMATION:**A. Stock balances:**

	Soccer boots			Sneakers		
	No. of units	Per unit	Total value	No. of units	Per unit	Total value
Opening stock 01/03/2017	830	R300	R249 000	520	450	R234 000
Closing stock 28/02/2018	405	?	?	250	?	?

B. Purchases:

	Soccer boots			Sneakers		
	No. of units	Per unit	Total value	No. of units	Per unit	Total value
Purchases	2 200		R324 000	2 300		R781 000
31/03/17	900	R120	R108 000	400	R300	R120 000
30/06/17	500	R150	R75 000	600	R325	R195 000
30/09/17	600	R175	R105 000	1 200	R355	R426 000
02/01/18	200	R180	R 36 000	100	R400	R 40 000

C. During the year, the business paid a total of R1 900 to transport soccer boots to the shop. The price of the sneakers includes carriage.

D. Eighty pairs of soccer boots from the January 2018 purchases were destroyed in a warehouse fire.

E. Sales:

Items	Details	Total
Soccer boots	2 500 units at R380 each	R950 000
Sneakers	2 570 units at R400 each	?

QUESTION 3**INVENTORY SYSTEM AND STOCK VALUATION****(40 marks; 25 minutes)**

The information provided is from the accounting records of Camp Out Ltd.

The company sells cooler boxes and tents. The financial year ended on 28 February 2018.

The business uses **the periodic inventory system** and the **weighted average method of stock valuation** for cooler boxes and **the specific identification method** for tents.

REQUIRED:

3.1 Explain the difference between the **specific identification** and the **weighted average** methods of valuing stock.

(4)

COOLER BOXES:

3.2 Provide a calculation to show the number of missing cooler boxes on 28 February 2018. (4)

3.3 Calculate the following in respect of cooler boxes:

- The value of closing stock (4)
- Cost of sales of cooler boxes (5)
- Gross profit on cooler boxes (3)

3.4 The manager feels that the business is more efficient in controlling stock.

3.4.1 Calculate the stock holding period (in days) of cooler boxes for 2018. Use the closing stock. (4)

3.4.2 Comment on your findings in response to the manager's feelings. (3)

TENTS:

3.5 Calculate the value of the closing stock of tents. (7)

3.6 **Value of Stock on hand**

Date	No. of Items	Unit Price	Total (R)
01 March 2017	520	R60	31 200
28 February 2018	850	?	?

A Purchases and sales of cooler boxes

Date	PURCHASES		
	No. of Items	Unit Price	Total (R)
August 2017	1 600	R64	102 400
February 2018	2 700	R70	189 000
TOTAL	4 300		291 400

B SALES OF COOLER BOXES: 3 900 units were sold for R387 000.

C D RETURNS: 20 damaged cooler boxes costing R60 each were returned to the supplier.

The supplier only agreed to give an allowance of **R1 000** due to late notification.

Financial Indicators	2018	2017
Stock Holding Period	?	125 days
Stock Turnover Rate	5.7 times	2.9 times

E

INFORMATION: TENTS

TENT RANGE	STOCK ON HAND 1 MARCH 2017	PURCHASES DURING THE YEAR	PRICE PER TENT	NUMBER OF TENTS SOLD DURING THE YEAR
1. Bush Baby	14	-	R1 260	14
2. Leopard	10	32	R1 400	28
3. Lizzard	7	28	R1 680	28
4. Buffalo	8	34	R1 540	35

3.3 INTERNAL CONTROL

Advanced Tech Traders sells one brand of television sets and employs a manager and two sales assistants.

Brian, the owner, is considering closing down the business and investing in fixed property. He feels that the manager is not controlling stock effectively. Information for the three years ended 30 June 2018 is presented below.

REQUIRED:

Identify ONE different problem in relation to each year. Quote relevant figures to support your answer. In each case, offer Brian advice on how to solve the problem.

(9)

INFORMATION:

Year ending	YEAR 1 30/06/2016	YEAR 2 30/06/2017	YEAR 3 30/06/2018
Television sets available for sale	320	360	140
Television sets sold during the year	240	90	140
Closing Stock	70	270	0
Selling price per set	R12 000	R16 000	R12 450
Mark-up percentage	50%	100%	50%
Amount deposited during the year	R2 880 000	R1 440 000	R1 618 500

40

QUESTION 4 : INVENTORY VALUATION

Keegan Traders buys and sells small wooden crates which other businesses use to transport their stock. The business currently uses the First In First Out (FIFO) method to calculate the stock value and the periodic system is used to record all transactions. The crates are sold at a 50% mark up on cost.

REQUIRED

- 4.1 Differentiate between the First In First Out method and the Weighted Average method. Provide ONE reason why the Weighted Average method would be better suited for his product. (3)
- 4.2 Calculate the value of closing stock by using the FIFO method. (6)
- 4.3 Calculate the value of closing stock by using the Weighted Average method. (10)
- 4.4 The owner suspects that some of the stock was stolen, but there is no proof.
- (a) Calculate the number of units that cannot be accounted for. (4)
- (b) Provide any TWO internal control measures that can be implemented in order to prevent this loss in the future. (4)

- 4.5 The owner wants to charge an additional fee of R4,00 per crate for delivering the crates to his customers. Do you agree with his decision? Motivate your answer by providing ONE point. (3)

INFORMATION

A Balances for stock:

	Units	Unit price	Total
1 March 2018	370	R14,00	R5 880
31 March 2018	280	?	?

B Purchases and returns

INFORMATION	UNITS	UNIT PRICE	TOTAL
6 March 2018	620	R14,10	R8 742
13 March 2018	300	R14,50	R4 350
Returns from the order received on 13 March 2018	60	?	?
24 March 2018	240	R14,60	R3 504
Extra boxes received from the supplier as a bonus	10	-	-
TOTAL	1 110		

- C 1 190 units were sold during March 2018 at R18,00 per unit. His competitors sells the same type of crate at R20,00 per unit.