PRELIM REVIEW 2013 03 OCTOBER 2013

Lesson Description

In this lesson we:

- Revise Inventory Valuation by look at a previous exam question.

Questions

Question 1

(Adapted from VCAA 2013, August 2013, Question 6)

You are provided with information relating to Zippy Electronics for the year ended 28 February 2013. The business sells “Flash-Keys” which are novelty flash drives which are used as business cards for other businesses.

Flash Keys are personalised with an engraving on order.

The **periodic inventory system** and the **weighted average stock** valuation method are in operation.

REQUIRED

1.1 Explain ONE difference between the periodic and continuous (perpetual) inventory systems. (2)

1.2 Using the weighted average stock valuation method calculate the value of closing stock on 28 February 2013. (11)

1.3 Complete the Trading Account for Zippy Electronics to calculate the Gross Profit. (13)

1.4 Calculate the mar up % on cost price. (4)

1.5 Explain two reasons why your answer in 6.4 is different from the actual mark-up of 80%. The selling price of R85 was unchanged during the year. (4)

1.6 The owner suspects that a number of Flash Keys were stolen. You disagree. Prove this to him. Show a calculation. (4)

1.7 The owner would like to change the stock valuation method to FIFO. Explain what affect this change would have on the Gross Profit. (2)

INFORMATION
(Round answers to the nearest Rand if necessary)

1. **Stock** on 1 March 2012 (1500 Flash Keys) R60 000

2. **Purchases** during the year excluding carriage on purchases.

Date Purchased	Number of Units	Unit Price	Total Purchase Price
April 2012	2 200	40	88 000
June 2012	4 000	42	168 000
September 2012	4 500	40	180 000
November 2012	5 700	38	216 600
January 2013	6 100	36	219 600
TOTAL	**22 500**		**872 200**

3. **Carriage on purchases** during the year was charged at R15 per Box.

   Note: A box contains 100 blank Flash Keys

4. **Returned 2 boxes** of defective Flash Keys purchased during November 2012 to the supplier. The supplier granted a refund excluding carriage.

5. A selling price of R85 was maintained throughout the year. Sales amounted to R1 836 000. (21 600 units).

6. The **total engraving cost** on all Flash Keys sold amounted to R 108 000.
   This must be included in the calculation of the Gross Profit as the cost is only incurred on the sale of the Flash Keys.

7. **On 28 February 2013, physical stocktaking revealed stock of 2 200 Flash Keys on hand.**