

### QUESTION 3

You are provided with information relating to Banyana Traders, owned by David Hambeck, for the financial year ended 28 February 2009. The business is situated in Johannesburg. David buys and sells soccer balls and jerseys. The business uses the periodic inventory system. The soccer balls are bought from South African suppliers, and the soccer jerseys of different clubs and countries are imported from overseas.

David employs salespersons to control each item of stock:

- James controls and sells the soccer balls
- Cyril controls and sells the soccer jerseys

David has decided on the following accounting policies for valuing inventory:

- Soccer balls – Weighted-average method
- Soccer jerseys – First-in-first-out method (FIFO)

#### REQUIRED:

- 3.1 Although this business has done well, David is considering closing it down and investing his capital in fixed property. State TWO points that he should consider before making a final decision. (4)
- 3.2 David suspects that a number of soccer balls have been shoplifted. Calculate the number of soccer balls stolen. (5)
- 3.3 Use the relevant information to calculate the closing stock value of:  
• Soccer balls (using the weighted-average method) (4)  
• Soccer jerseys (using the FIFO method) (5)  
Show your workings to earn part-marks.
- 3.4 Calculate the following for soccer jerseys (you may prepare a Trading Account to calculate these figures): (4)  
• Cost of sales (5)  
• Mark-up % on cost (5)  
• Stock turnover rate (5)
- 3.5 If David decides to continue with this business, what advice would you offer him? State TWO points and quote financial indicators or specific information from the question to support your answer. (6)

#### INFORMATION:

##### 1. Inventories:

The stocks were valued as follows at the beginning and end of the financial year:

| Date     | Soccer balls |          |             | Soccer jerseys |          |             |
|----------|--------------|----------|-------------|----------------|----------|-------------|
|          | No. of units | Per unit | Total value | No. of units   | Per unit | Total value |
| 01/03/08 | 1 200        | R120     | R144 000    | 520            | R320     | R166 400    |
| 28/02/09 | 900          | ?        | ?           | 250            | ?        | ?           |

**2. Purchases:**

During the financial year ended 28 February 2009, the following stock items were purchased:

| Date of purchases | Soccer balls |          |                 | Soccer jerseys |          |                 |
|-------------------|--------------|----------|-----------------|----------------|----------|-----------------|
|                   | No. of units | Per unit | Total value     | No. of units   | Per unit | Total value     |
| 31/03/08          | 1 300        | R120     | R156 000        | 400            | R200     | R 80 000        |
| 30/06/08          | 900          | R150     | R135 000        | 600            | R225     | R135 000        |
| 30/09/08          | 1 000        | R175     | R175 000        | 1 400          | R255     | R357 000        |
| 02/01/09          | 200          | R180     | R 36 000        | 100            | R300     | R 30 000        |
| <b>Totals</b>     | <b>3 400</b> |          | <b>R502 000</b> | <b>2 500</b>   |          | <b>R602 000</b> |

**3. Carriage on purchases:**

During the year, the business paid a total of R30 200 to transport soccer balls to the shop. The price of the soccer jerseys includes carriage.

**4. Sales:**

| Items          | Details                  | Total      |
|----------------|--------------------------|------------|
| Soccer balls   | 3 500 units at R320 each | R1 120 000 |
| Soccer jerseys | 2 770 units at R400 each | R1 108 000 |

**5. Financial indicators:**

| Items          | Mark-up % on cost | Stock turnover rate |
|----------------|-------------------|---------------------|
| Soccer balls   | 48,5%             | 3,9 times p.a.      |
| Soccer jerseys | ?                 | ? times p.a.        |

[40]