

SOLUTIONS TO HOMEWORK: SESSION 14**TOPIC: COMPANIES FINANCIAL STATEMENT****QUESTION 1**

1.1	<p>Value of stock on hand on 29 February 2008.</p> <p>Weighted average: $(R156\,600\checkmark + 1\,045\,500)\checkmark - 16\,500\checkmark$ $R1\,185\,600 \div 2\,090\checkmark$ $R567$</p> <p>Value of final stock: $300\checkmark \times R567\checkmark\boxtimes = R170\,100\boxtimes\boxtimes$ (8)</p>
1.2	<p>Gross profit for the year ended 29 February 2008</p> <p>$(1750\checkmark \times 990\checkmark) - (156\,00\checkmark + (1\,045\,500 - 16\,500)\checkmark\checkmark - 170\,100\boxtimes)$ $R1\,732\,500 - R1\,015\,500$ $R717\,000\boxtimes$ (7)</p>
1.3.1	<p>The number of cell phones stolen</p> <p>$2\,090 - 1750$ sold = 340 on hand as per records $340\checkmark\checkmark - 300\checkmark = 40\boxtimes$ stolen (4)</p>
1.3.2	<p>Reason: He is using the periodic stock system\checkmark and, therefore, can only determine losses when he does an actual stocktaking and calculates the cost of sales. \checkmark</p> <p>Change to the perpetual stock system$\checkmark\checkmark$ Do regular stock taking$\checkmark\checkmark$ Any other feasible reason (6)</p>
1.4.1	<p>Closing stock: $300\checkmark \times R610\checkmark = R183\,000\checkmark$ (3)</p>
1.4.2	<p>GROSS PROFIT: $R1\,732\,500\checkmark - (156\,600\checkmark + (1\,045\,500 - 16\,500)\checkmark\checkmark - 183\,000\checkmark)$ $R1\,732\,500 - 1\,002\,600$ $= R729\,900\boxtimes\boxtimes$ (7)</p>
14.3	<p>Learners to give their own advice. Depends on prices$\checkmark\checkmark$ as to which method is more advantageous, and gains in one year will be offset by losses in the next and vice versa. $\checkmark\checkmark$ (4)</p>
1.5.1	<p>The business would make less profit. $\checkmark\checkmark$</p> <p>Pay less VAT and income tax. $\checkmark\checkmark$ Sales figure will be less Expenses will be higher (stolen phones) Any 2 valid points (4)</p>

1.5.2	Learners to discuss the ethics of this decision. ✓✓✓ Cheating SARS is fraud and can result in heavy fines and / or jail sentences. ✓✓✓ (6)
1.6	<p>The gross profit is less due to increased cost of sales but sales has remained the same. ✓✓</p> <p>Solution:</p> <ul style="list-style-type: none">• Selling price should increase as costs increase ✓✓• Negotiate cheaper costs• Any other feasible reason <p>(4)</p>

TOTAL MARKS: 53