

Topic 6: Inventory systems

Activity 1

No.	Perpetual inventory		Periodic inventory		Amount
	Dr.	Cr.	Dr.	Cr.	
1	Trading stock	Creditors Control	Purchases	Creditors	2 300
2	Trading stock	Creditors Control	Carriage on purchases	Creditors Control	200
3	Creditors Control	Trading stock	Creditors Control	Creditors allowances	460
4	Debtors Control	Sales	Debtors Control	Sales	1 200
	Cost of sales	Trading stock			600
5	Debtors allowances	Debtors Control	Debtors allowances	Debtors Control	270
	Trading stock	Cost of sales			135
6	Donation	Trading stock	Donation	Purchases	2 300

Activity 2

General Ledger of Bingo Traders NOMINAL ACCOUNTS SECTION

Dr.				OPENING STOCK				Cr.	
2019 Jun.	01	Trading stock	GJ	105 000	2019 Jun.	30	Trading account	GJ	105 000
PURCHASES									
2019 Jun.	30	Bank	CPJ	35 000	2019 Jun.	30	Creditors Control	CAJ	4 000
		Creditors Control	CJ	103 000			Trading account	GJ	134 000
				138 000					138 000
CARRIAGE ON PURCHASES									
2019 Jun.	30	Creditors Control	CJ	1 000	2019 Jun.	30	Trading account	GJ	1 000
SALES									
2019 Jun.	30	Debtors allowances	GJ	1 200	2019 Jun.	30	Debtors Control	DJ	90 000
		Trading account	GJ	126 300			Bank	CRJ	37 500
				127 500					127 500
CLOSING STOCK									
2019 Jun.	30	Trading account	GJ	140 000	2019 Jun.	30	Trading stock	GJ	140 000

FINAL ACCOUNTS SECTION

Dr.					TRADING ACCOUNT					Cr.	
2019 Jun.	30	Opening stock	GJ	105 000	2019 Jun.	30	Sales	GJ		126 300	
		Purchases	GJ	134 000			Closing stock	GJ		140 000	
		Carriage on purchases	GJ	1 000							
		Profit and loss	GJ	26 300							
				266 300						266 300	

Activity 3

1.

General Ledger of SuperSaver Suppliers

NOMINAL ACCOUNTS SECTION

Dr.					PURCHASES				Cr.
2016 Sep.	30	Total	b/d	198 000	2016 Sep.	30	Creditors Control	CAJ	15 100
	30	Creditors Control	CJ	3 860		30	Drawings	GJ	1 800
						30	Stationery	GJ	4 180
						30	Trading account	GJ	180 780
				201 860					201 860

FINAL ACCOUNTS SECTION

Dr.					TRADING ACCOUNT					Cr.	
2016 Sep.	30	Opening stock	GJ	85 000	2016 Sep.	30	Sales	GJ	625 500		
	30	Purchases	GJ	180 780		30	Closing stock	GJ	54 000		
	30	Carriage on purchases	GJ	13 150							
	30	Import duties	GJ	6 900							
	30	Profit and loss	GJ	393 670							
				679 500					679 500		

2. Any one of the following:

- In a periodic inventory system stocktaking is used to determine the value of stock on hand, because this system does not use a Trading stock account to monitor stock.
- It is used to determine the cost of sales.

3.1 There should be proper authorisation and approval before stock is ordered or purchased.

3.2 Any one of the following:

- The storeroom with stock should be kept locked and access to it should be restricted.
- Security tags could be placed on stock items.

Activity 4

1.

General Ledger of AK Traders NOMINAL ACCOUNTS SECTION

Dr.					Cr.				
PURCHASES									
2018 Nov.	30	Total	b/d	85 000	2018 Nov.	30	Drawings	GJ	600
	30	Donations	GJ	200		30	Trading account	GJ	87 950
	30	Packing materials	GJ	2 050					
	30	Creditors Control	GJ	1 300					
				88 550					88 550

FINAL ACCOUNTS SECTION

Dr.					Cr.				
TRADING ACCOUNT									
2018 Nov.	30	Opening stock	GJ	19 400	2018 Nov.	30	Sales (150 500 – 3 500)	GJ	147 000
	30	Purchases	GJ	87 950		30	Closing stock	GJ	22 800
	30	Carriage on purchases (1 200 + 110)	GJ	1 310					
	30	Import duty (800 + 150)	GJ	950					
	30	Profit and loss	GJ	60 190					
				169 800					169 800

2. Any two of the following:
- Carriage on purchases
 - Opening stock
 - Closing stock
 - Purchases

Activity 5

1. Cost of sales calculation

Opening stock	320 000
Purchases (710 000 + 240 000 + 24970 – 2 900 + 3 400 – 1 400)	974 070
Carriage on purchases (162 000 + 1 800)	163 800
Custom duty	56 000
	1 513 870
Closing stock (210 000 – 3 400 – 1 400)	(205 200)
Cost of sales	1 308 670

Gross profit calculation

$$\begin{aligned}\text{Gross profit} &= \text{Sales} - \text{Cost of sales} \\ &= (1\,024\,500 + 850\,000 - 42\,000 - 3\,000) - 1\,308\,670 \\ &= 1\,829\,500 - 1\,308\,670 \\ &= 520\,830\end{aligned}$$

$$\begin{aligned}2. \quad \text{Mark-up \%} &= \frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1} \\ &= \frac{520\,830}{1\,308\,670} \times \frac{100}{1} \\ &= 40\%\end{aligned}$$

3. Any two, or any other possible reason:

- Trade discounts to clients are too high
- Errors in recording
- Very high transport costs
- Incorrect mark-ups

4. Any possible reason:

- The business can look for other service providers that are cheaper.
- The business can consider buying a vehicle to transport the goods to the business.

5. Any two, or any other possible reason:

- Reduced income tax
- It is good publicity for the business
- People would see the business in a good light because of its social responsibility, which may increase sales.

6. Any possible reason:

- She should consider the high cost of implementing the perpetual system, and should compare it to the benefits of the system.
- Changing the stock system could influence the overall running costs of the business.

Activity 6

1.

General Ledger of Marilyn Traders NOMINAL ACCOUNTS SECTION

Dr.					PURCHASES					Cr.	
2013 Feb.	28	Total	b/d	100 750	2013 Feb.	28	Creditors Control (17 200 + 1 200)	CAJ		18 400	
		Creditors Control	CJ	15 000			Drawings	GJ		1 000	
							Trading account	GJ		96 350	
				115 750						115 750	

CARRIAGE ON PURCHASES

2013 Feb.	28	Total	b/d	16 000	2013 Feb.	28	Trading account	GJ	17 500
		Creditors Control	CJ	1 500					
				17 500					17 500

FINAL ACCOUNTS SECTION
TRADING ACCOUNT

Dr.					Cr.				
2013 Feb.	28	Opening stock	GJ	50 000	2013 Feb.	28	Sales (214 300 + 900 – 12 300 – 100)	GJ	202 800
		Purchases	GJ	96 350			Closing stock	GJ	52 000
		Carriage on purchases	GJ	17 500					
		Profit and loss	GJ	90 950					
				<u>254 800</u>					<u>254 800</u>

2. Gross profit percentage calculation

$$\begin{aligned}
 \text{Gross profit \% on sales} &= \frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1} \\
 &= \frac{90\,950}{202\,800} \times \frac{100}{1} \\
 &= 44,85\%
 \end{aligned}$$

Gross profit percentage on cost of sales calculation

$$\begin{aligned}
 \text{Cost of sales} &= 50\,000 + 96\,350 + 17\,500 - 52\,000 \\
 &= \text{R}111\,850
 \end{aligned}$$

$$\begin{aligned}
 \text{Gross profit \% on cost of sales} &= \frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1} \\
 &= \frac{90\,950}{111\,850} \times \frac{100}{1} \\
 &= 81,3\%
 \end{aligned}$$