**QUESTION 3**

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| **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. (2009 PAPER)**Good answer = 2 marks; Poor answer = 1 mark; Incorrect = 0 marks ✓✓ ✓✓* Soccer World Cup will be in SA soon – keep the business operational until then.
* Property prices are not doing well at the moment – move into this later.
* Financial implication to the business, future prospects
* Implications for staff – retrenchment
* Property prices are low and it is the right time to invest and cash in later
* Property can be let out during the world cub for future the income for property is somewhat guarantee
* What is the market value of the business
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| **3.2** | **Calculate the number of soccer balls stolen.****O. stock + purchases - sales - closing stock = missing**1 200 ✓ + 3 400 ✓ – 3 500 ✓ - 900 ✓ = 200 ✓ |

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| **3.3** | Calculate the closing stock value of soccer balls using the weighted average method:Opening stock + Purchases + Carriage 144 000 + 502 000 + 30 200 4 600 Number available R676 200 ✓✓ 4 600 ✓ = R147  = 900 ✓ X 147 🗹 = R132 300 🗹Calculate the closing stock value of soccer jerseys using the FIFO method:100 x R300 = R30 000 ✓✓150 x R255 = R38 250 ✓✓250 R68 250 🗹 |

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| **3.4** | **Calculate the following for Soccer jerseys (you may prepare a Trading Account to calculate these figures):****Calculate cost of sales:**

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| Opening stock | ✓ | 166 400 |
| Purchases - CA | ✓ | 602 000 |
| Less closing stock | 🗹 | (68 250) |
| Cost of sales | 🗹 | 700 150 |

**Calculate mark-up% on cost:** Sales - COS = (1 108 000 ✓ – 700 150 🗹) x 100 = 58,3 % ✓🗹  700 150 🗹 1 **OR**GP 407 850 x 100 700 150 1= 58,3 % ✓🗹 **Calculate stock turnover rate:**Cost of salesAverage stock= 700 150 🗹 (68 250 🗹+ 166 400 ✓) / 2= 700 150 117 325= 5,97 times ✓🗹 |

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| **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.**Good answer = 2 marks; Satisfactory answer = 1 mark; Incorrect = 0 marks Appropriate financial indicator/figures = 1 each Any two valid points ✓✓✓ ✓✓✓* Implement tighter control measures over soccer balls – 200 balls were stolen
* The business is carrying a lot of stock, particularly soccer balls – 900 on hand at end of year
* Selling price must change if cost increases
* The stock for soccer balls must be turned over quicker – 3,9 times per annum.
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