**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:**   |  |  |  | | --- | --- | --- | | 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 sales  Average 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. |