

inventory systems

revision:

stock - items bought + sold at a profit. it is properly recorded + controlled under specific measures to ensure proper accounting for the stock

**what internal control measures does a business have to put in place for stock? mention 5 points**

stock system - an administrative system that monitors, controls + records the movement of stock from the time it is bought when it is sold.

the system must be able to reveal the ff:

- number of units on hand
- cost price per unit
- total value of units on hand (opening + closing stock)
- total value of stock sold

types of stock systems

perpetual system	periodic system
stock purchases are recorded in "Trading Stock - <b>TS</b> "(Asset)	stock purchases recorded in "Prurchases"(Nominal - expense account)
carriage on purchases - expenses incurred when purchasing stock - charged directly to TS	carriage on purchases charged directly to relevant expense account
returns + allowances credited to TS	returns + allowances credited to Purchases a/c
donations + stock withdrawals by the owner are credited to TS	donations + stock withdrawals by the owner are credited to Purchases a/c
balance of TS a/c should be amount of stock on hand. a stocktake is conducted to verify stock + determine any deficits/losses/surplus	a stocktake is conducted periodically to determine the amount of stock on hand + determine any stock losses/deficits
cost of sales calculated on a continuous basis; cost of sales ( <b>COS</b> ) a/c will show total cost price of goods sold	no COS a/c. in order to determine COS, a <b>*calculation</b> has to be done

**\*Calculation of COS**

**under the perpetual system:**

**Sales = Gross Prof + Cost Pr**

$$\text{sales} = \text{CP} \times \frac{(100 + \text{mark-up})}{100}$$

$$\text{CP} = \text{sales} \times \frac{100}{(100 + \text{mark-up})}$$

**under the perpetual system:**

**opening stock**

**ADD:Purchases\***

**ADD:Carriage on purchases**

**MINUS:Closing stock**

**EQUALS: COS**

**\*carriage on purchases** - carriage (road/rail) costs, customs duty, freight (air/ship) costs, import duty, harbour dues/dock charges

main features of:

perpetual	periodic
better control over stock	no tech required to manage
stock movements recorded continuously	no need to calculate COS
thefts are easily detected	thefts are not easily detected - stocktake is necessary + comparison needs to be drawn btwn the target and actual mark-up
requires expensive + sophisticated tech to manage	suitable for businesses where it is difficult/not feasible to determine cost price of single items
e.g. furniture shop, car dealer	e.g. spaza shop

study the example on page 296 Top Class Textbook. do Activity 2.29 + 2.30 on page 299