



Examination Paper

Name :-

INSTITUTE OF LICENSED TRADE STOCK AUDITORS

THEORY PAPER GUIDELINES

1. The time allowed is **three hours**. Fifteen minutes will be allowed before the start of the period, so that candidates can scrutinize the paper and plan their approach.
2. Questions **1 - 10** are compulsory and must be answered. **8** out of the remaining **10** must be attempted.
3. Each compulsory question is worth **6** marks ; each optional question is worth **5**.
4. Questions can be answered in **any order** the candidate wishes.
5. Candidates **should not answer more questions than necessary**, but should spend any surplus time checking work already done.
6. Candidates are advised to give a **short, precise summary**, rather than a long protracted answer.
7. **All workings should be shown**. If the end result is wrong, but the error in calculation is identifiable, then some marks may still be given .**Where applicable please work to 3 decimal places**.
8. **Please answer questions using black ink or if pencil ensure that the answers can be photocopied**.
9. Please **tick** box for all questions answered.

1.	☐	2.	☐	3.	☐	4.	☐	5.	☐
6.	☐	7.	☐	8.	☐	9.	☐	10.	☐
11.	☐	12.	☐	13.	☐	14.	☐	15.	☐
16.	☐	17.	☐	18.	☐	19.	☐	20.	☐



Question 1

Your valuation of stock, as at 27th September 2008 is £ 6,495.36

Purchases to the end of the month(Exclusive of VAT) £ 3,485.75

Takings - (Exclusive of VAT) £ 8,861.60

Assuming a normal gross profit of 55.73% prepare a valuation as at 1st October 2008

Answer

Stock taken as at 27th September 2008

Purchases in period 27th September 2008 to 1st October 2008 (Ex Vat) £ 3,485.75

Income for period 27th September 2008 to 1st October 2008 (Ex Vat) £ 8,861.60

Valuation as at 27th September 2008 £ 6,495.36

Normal G.P. % 55.73% Cost of Goods Sold 44.27%

Stock Adjustment as at 1st October 2008

Valuation as at 27th September 2008 £ 6,495.36

Less cost of sales 44.27% £ 3,923.03

£ 2,572.33

Plus purchases £ 3,485.75

Amended Valuation as at 1st October 2008 £ 6,058.08



Question 2

Explain the Difference between postmix and premix.

While preparing a stock result, you establish that the half-pints of Coke sell at £ 1.10 p

and dashes at 0.50 p. Dashes account for 62 % of the total sales.

What is the selling price per litre of syrup, if the mix is 5.4:1 and a dash is 4 fl.oz.

Answer

Premix - comes ready for use, not now as common as postmix which is a concentrated syrup mixed with water at a pre-determined ratio at the point of sale.

Litre of syrup at 5.4:1 makes		6.4 Litres =	224 fl.oz
Assume a dash		=	4 fl.oz
224 x	38 %	85.12	@ 0.11 p = 9.36
224 x	62 %	138.88	@ 0.13 p = 17.36
Selling price per litre of syrup			<u>£ 26.72</u>

Or

Litre of syrup at 5.4:1 makes		6.4 Litres =	224 fl.oz
Assume a Dash		=	4 fl.oz
224 / 10	=	22.4 glasses x	1.10 x 38 % = 9.36
224 / 4	=	56.0 glasses x	0.50 x 62 % = 17.36
Selling price per litre of syrup			<u>£ 26.72</u>



Question 3

Explain briefly and concisely what you understand by the following terms.

- 1) Par-stock and extended stock report.
- 2) Bin number and cellar ledger.
- 3) Mark up and Gross Profit.
- 4) Input and Output V.A.T.
- 5) Meniscus and Obscuration.
- 6) Blended and Malt whiskies.

Answer

- 1) Par stock - specific level of stock assigned to a particular bar / location.

Extended stock - Report showing each product with opening stock. Purchases, closing stock, consumption and gross profit etc. In addition summary will give full details of estimated and actual gross profits.

- 2) Bin number - number allocated to a specific product, usually wines, so that it can be listed and located quickly.

Cellar ledger - record of all products in the cellar listing all goods inwards and bar requisitions. It should provide a verifiable check for the stock auditor.

- 3) Mark Up - Profit based on cost price.

Gross Profit - Profit based on selling price.

ie. Product is bought for 60p and sold for £ 1.20 Mark up is 100% but GP is 50% excluding V.A.T. on all prices.

- 4) Input V.A.T. - The V.A.T. reclaimable on purchases and services.

Output V.A.T. - The V.A.T. payable on income or takings,

- 5) Meniscus - Is the curve on the surface of any liquid.

Obscuration - The effect of sugar content of certain drinks on the hydrometer reading. Applies to brandy, rum and most liqueurs.

- 6) Blended whisky - Combination of several malts or whiskies produced by the patent still method to create a consistent blend over the years.

Malt whisky - A single malt from a particular region.



Question 4

Below is an extract from a PLU report for draught beer. Give three reasons why the sales total does not work out to the price of a pint shown.

How would you deal with each situation and explain it to the client ?

The following information has been obtained from the till report.

			Units	Sales Total
£	2.75	Carlsberg	465	£ 1,198.50
£	3.15	Stella	235	£ 665.60
£	3.05	Guinness	192	£ 535.50
£	2.60	Bass	556	£ 1,265.40

The selling prices (obtained from the bar tariff) are for your guidance
Show examples or your answers.

Answer

- 1) *The units shown include the number of half pints sold. As the price of a pint cannot be equally divided I have reduced the number of pints sold to the nearest pint*

Carlsberg	£	1,198.50	£	2.75	436
Stella	£	665.60	£	3.15	211
Guinness	£	535.50	£	3.05	176
Bass	£	1,265.40	£	2.60	487

- 2) *There is a happy hour level on the till. So I would make an allowance for the difference.*

	Units Sold	Price Sold	Full Price	Sales Total	Allowance
Carlsberg	465	£ 2.75	£ 1,278.75	£ 1,198.50	£ 80.25
Stella	235	£ 3.15	£ 740.25	£ 665.60	£ 74.65
Guinness	192	£ 3.05	£ 585.60	£ 535.50	£ 50.10
Bass	556	£ 2.60	£ 1,445.60	£ 1,265.40	£ 180.20
					<u>£ 385.20</u>

- 3) *There has been a price increase during the stock period. Assuming the prices shown are the new prices I would make an allowance for the difference and calculate exactly the same as the above.*



Question 5

A selection of malt whisky has been delivered during the stock period which contains the following whiskies at the selling prices given below. Assume that 35ml are in use at this unit

1	Balvenie 10 YO	selling at	£ 3.65
1	Aberlour 12 YO	selling at	£ 3.35
1	Oban 14 YO	selling at	£ 4.50
1	Talisker 10 YO	selling at	£ 3.60
1	Laphroaig	selling at	£ 3.60

The total cost of the cabinet is £ 126.75 plus VAT. Indicate how you would calculate the cost of each bottle of whisky.

Answer

By extending the selling price of the Malts a Gross Profit percentage can be worked out and assuming that the same G.P. is applied to each Malt the cost price of each bottle can be calculated.

		<i>Selling Price</i>	<i>Total SP Ex VAT</i>	<i>Cost</i>
20	Balvenie 10 YO	£ 3.65	£ 62.13	£ 24.74
20	Aberlour 12 YO	£ 3.35	£ 57.02	£ 22.71
20	Oban 14 YO	£ 4.50	£ 76.60	£ 30.50
20	Talisker 10 YO	£ 3.60	£ 61.28	£ 24.40
20	Laphroaig	£ 3.60	£ 61.28	£ 24.40
			£ 318.30	£ 126.75
<i>Retail Value of Malts</i>			£ 318.30	
<i>Less cost of Malt whisky</i>			£ 126.75	
<i>Gross Profit</i>			£ 191.55	
<i>Gross profit %</i>			60.18% Cost	39.82%



Question 6

Having completed the physical count in a food stocktaking exercise, you have the following information :-

Opening Stock		£	4,855.43	
Closing stock		£	5,297.65	
Purchases	(Ex VAT)	£	11,363.80	
Income	(Inc.VAT)	£	33,155.55	
Allowances at Retail	(Inc.VAT)	£	2,165.50	
Transfers from liquor at Retail	(Inc VAT)	£	335.50	56.30%

Produce :-

- (a) the trading account excluding allowances ;
- (b) the trading account including allowances at retail ;
- (c) the trading account including allowances at cost ;

Answer

(a) Trading Account

Opening stock	£ 4,855.43	Closing stock	£ 5,297.65
Purchases (Ex VAT)	£ 11,363.80	Income (Ex VAT)	£ 28,217.49
Transfers from liquor	£ 124.78		
Gross profit	£ 17,171.13		
	£ 33,515.14		£ 33,515.14
Gross Profit %	60.85%		

(b) Trading Account - Allowances at Retail

Opening stock	£ 4,855.43	Closing stock	5,297.65
Purchases (Ex VAT)	£ 11,363.80	Income (Ex VAT)	28,217.49
Transfers from liquor	£ 124.78		
Gross profit	£ 19,014.11	Allowances (Ex VAT)	1,842.98
	£ 35,358.12		35,358.12
Gross Profit %	63.25%		

(Income plus allowances are used to compute the GP %)

(c) Trading Account - Allowances at cost

Opening stock	£ 4,855.43	Closing stock	£ 5,297.65
Purchases (Ex VAT)	£ 11,363.80	Income (Ex VAT)	£ 28,217.49
Transfer from liquor	£ 124.78		
Gross profit	£ 17,848.37	Allowances (Ex VAT)	£ 677.24
	£ 34,192.38		£ 34,192.38
Gross Profit %	63.25%		

Note :- Rounding may have caused the above calculation to differ slightly



Question 7

Sales for a year at a client's premises are as shown below. With the aim of obtaining better purchase prices, he asks you to work out the actual barrelage of each item. Calculate each showing your workings.

Lager		6335 gallons
Bitter		4069 gallons
Budweiser	330 ml	3315 dozen
Becks Beer	275 ml	2883 dozen
Newcastle Brown	550 ml	630 dozen
Guinness Dght Cans	500 ml	245 dozen

Answer

Lager	6335 divided by	36	175.97	barrels
Bitter	4069 divided by	36	113.03	barrels
Budweiser	12 x 330 ml = 3.96 ltrs 36 galls = 163.66 ltrs 163.66 divided by 3.96 41.328 3315 divided by 41.328		80.21	barrels
Becks Beer	12 x 275 ml = 3.3 ltrs 36 galls = 163.66 ltrs 163.66 divided by 3.3 49.594 2883 divided by 49.594		58.13	barrels
Newcastle Brov	12 x 550 ml = 6.6 ltrs 36 galls = 163.66 ltrs 163.66 divided by 6.6 24.797 630 divided by 24.797		25.41	barrels
Guinness Dght	12 x 500 ml = 6.0 ltrs 36 galls = 163.66 ltrs 163.66 divided by 6.0 27.277 245 divided by 27.277		8.98	barrels
TOTAL BARRELAGE			461.73	



Question 8

You are asked to prepare a stock valuation for both vendor and purchaser at a small town-centre hotel, while taking the count you find the following situations

1. 5 1.5 litres vodka in the spirit cupboard with broken seals.
2. 3 kegs of beer out of date by 3 days
3. 3 Litres of Bells whisky showing a stated 43 % ABV
4. 16 dozen low - calorie tonics whose best before date is one month later

Answer

Vodka A hydrometer test would be needed to ensure that the spirit has not been adulterated. Even if this is acceptable the purchaser should be made aware as they may contain inferior brands with the same ABV. If the hydrometer test shows adulteration none of the vodka would be accepted and the remainder of the stock would be under suspicion, meaning checking all open bottles possible with the hydrometer.

Kegs out of date These would not be accepted at full price. However the best before date is only a guide and providing the product could be sold very quickly I would advise the purchaser to buy them at a much reduced price.

Bells Litres The Litres are duty free therefore should not be taken into stock and given to the vendor to take away as it is illegal to sell them.

Low Calorie Tonic They are notoriously slow moving items and unless proof that these would be sold within the month there are two options open. If the tonics were taken into stock they would be at a substantial discount or only one case taken at normal price and the rest not valued. The vendor can then remove the balance from the premises or leave them for the deposit value of bottles and cases only.



Question 9

Your client has a pre-set till register which is cleared at each stocktake. You arrive to take stock and find that the selling prices have increased since the last visit. Explain what action you would take in order to produce an accurate stock result. Having shown an unexpected deficit of £ 700 , what would you do to identify the cause. Detail all the checks that you would make prior to submitting your report.

Answer

Firstly, it is necessary to determine the date of the price increase in order to decide whether the result should be calculated at the old prices and an uplift made for the days at the new prices, or calculated at the new prices and an allowance made for the days at the old prices. This is based on whichever accounts for the greater part of the stock period. The Z PLU reading obtained at the stocktake should contain sufficient information for the correct uplift or allowance to be made on the stock result. Assuming that the prices are to be worked out at the new prices and an allowance made, the quantity sold of each item can be multiplied by the new price (to give the value of sales at the new prices for the entire period) and then take from this figure the actual value of sales for the item shown on the till reading. The difference for each item can then be added to provide the amount of the allowance required.

The unexpected deficit could be related to the price increase. The till should be checked to ensure that the prices have been correctly programmed into the till.

The till report taken from the till for the stock period could help identify the stock shortage, but it is necessary to look at the quantities sold rather than the value of the sales on the till report. The retail sales will not agree to the stock report as a blanket allowance for the price increase has been made. Sometimes, the report may prove inconclusive, especially if there are "miscellaneous" buttons on the till.

In order to overcome this difficulty, an analysis between current and previous stock reports will be required. By extending the ratio between the revenue figures for both periods and applying this to the sales mix it is possible to highlight anomalies. When the group has been identified action can be taken to further investigate the loss.

For example, an analysis of the result might look like this:

	Current sales £ 31,851.10	divided by Prev Report	Previous sales £ 21,981.85	=	1.45	
			Proj. sales		Actual Sales	Difference
Draught Beer	£ 10,559.70		£ 15,300.72		£ 16,105.50	£ 804.78
Bottled Beers	£ 3,795.70		£ 5,499.87		£ 5,515.00	£ 15.13
Minerals	£ 2,410.70		£ 3,493.04		£ 3,505.05	£ 12.01
Spirits	£ 5,120.25		£ 7,419.10		£ 7,425.50	£ 6.40
Tobacco	£ 95.50		£ 138.38		£ 140.90	£ 2.52
	£ 21,981.85		£ 31,851.10		£ 32,691.95	£ 840.85
Allowances	£ 791.00		£ 1,146.14		£ 1,285.00	£ 138.86

It is now apparent that the problem is with the draught beer consumption. If necessary the same exercise can be carried out on individual beer lines to further highlight the problem.

It should then be possible to prevent further losses.



Question 10

You are asked to take stock in a two bar operation, each bar has its own price structure, but it is not possible to give separate bar results. Indicate whether you would calculate your extensions on the cheaper or the more expensive tariff, and explain how you would arrive at any surcharge or allowance.

The figures are as follows:-

Takings :- Public Bar £ 18,655.00 Lounge Bar £ 9,885.00

<u>Liquor Categories</u>	<u>Sales</u>	<u>Units</u>	<u>Lounge bar prices</u>
Spirits	61	70cl bottle	0.10 p dearer per 25ml
Draught Beers	1035	gallons	0.15 p dearer per pint
Bottled beers	136	dozen	0.20 p dearer per bottle
Minerals	205	dozen	0.10 p dearer per bottle
Table wines	215	75cl bottles	0.10 p dearer per 125ml

Answer

First work out the percentage of sales to each bar and then work out price differences. By using the sales volumes the actual surcharge / allowance can be worked out. The surcharge / allowance can be shown in the allowance section of the report.

Public bar sales	£ 18,655.00	65.36%
Lounge bar sales	£ 9,885.00	34.64%
	£ 28,540.00	

Spirits	61	x	28	1708	0.10	34.64%	=	£	59.16
Draught Beers	1035	x	8	8280	0.15	34.64%	=	£	430.17
Bottled beers	136	x	12	1632	0.20	34.64%	=	£	113.05
Minerals	205	x	12	2460	0.1	34.64%	=	£	85.20
Table wines	215	x	6	1290	0.10	34.64%	=	£	44.68

Surcharge £ 732.27



Question 11

You are taking both liquor & food stocks at the same premises. You discover that Liquor valued at £ 325.30 at retail has been transferred to the kitchen, and food with a cost value of £ 131.00 has been transferred to the bar. Explain how you would deal with these transfers in order to obtain true gross profit figures for both operations.

Assume the gross profit on the liquor result is 55 %

Answer

On the liquor stock the sum of £ 325.30 would be shown as a retail allowance. In addition the cost of these transfers should be deducted from the liquor purchases.

$$\text{£ } 325.30 \text{ Less VAT } = \text{£ } 276.85 \times 45 = \text{£ } 124.58$$

This assumes a gross profit of 55 % is achieved on the liquor stock.

The transfer from kitchen should be added as a liquor purchase at cost.

On the food stock £131.00 would be shown as a credit at cost and the figure of £124.58 would be entered as a food purchase.



Question 12

You are asked to take stock at premises which have three bars, and are requested, on your first visit, to produce separate bar results. You find, however that all draught beers and all postmix are being distributed to the three outlets from a single container, and also that there is a different price structure for each bar. Explain how you would deal with the request for separate result.

Answer

As it is your first visit, you may be unable to produce any result unless you have opening stock figures, and you may have to wait until your second visit. In either case, you need to explain to your client that it is only possible to produce separate bar results if a cellar ledger, which records transfers of stock to each bar, is in use. In this case, purchases, takings figures and stock figures can be produced for each bar and the correct selling price for each can be used, thus producing accurate individual results. The draught products do present difficulties, but if itemised tills are in use, the sales of each product from each bar can be accurately allocated to each bar, although it will not enable you to allocate any discrepancies which may arise. An alternative would be to work out the percentage of total sales of each bar and allocate the purchases accordingly, although this may not be entirely accurate as it deals with overall sales, which may not necessarily reflect the actual sales of each draught product. If it is at all possible, it would be advisable for the client to change the dispense equipment to enable each bar to have its own supply, but this may prove impossible.

In the event that there is no method of allocating purchases and the revenue to each bar, it would be necessary to recommend an overall result for the three bars. You would then be required to make adjustments or allowances for the different selling prices in each bar.

By working out the sales mix of the various bars it becomes apparent that one bar will be the main seller.

e.g.	Lounge	£ 22,000.00	52.38 %
	Public Bar	£ 13,500.00	32.14 %
	Function Room	£ 6,500.00	15.48 %
		<u>£ 42,000.00</u>	

In the above example the lounge bar prices would be used throughout the stock and a surcharge applied in the function bar, an allowance would then apply to the public bar.

If itemised tills are in use the allowance/surcharges would be much more accurate.

by applying the sales mix to the above example the surcharge/allowance can be worked out.



Question 13

You take stock at a students' union bar and during a routine meeting with the council, You are asked for advice on the best way of dealing with promotions. Some stock comes in free of charge and is sold at discounted prices, some is purchased at normal price and is sold at discounted prices, and some free of charge stock is sold at normal prices to boost gross profit. Detail the advice you would give your clients.

Answer

To achieve the best profit margins I would advise the council to concentrate the promotions on the free of charge stock supplied, as this would produce a 100% profit margin regardless of the price it was sold at. However, if certain products were to be sold at reduced price regardless of the cost to the unit I would advise that the normal cost of these items should be covered by other free of charge stock to preserve the overall profit margin of the unit. I would advise them to keep full records of the transactions in order that an accurate stock result can be produced.



Question 14

A client asks for advice on what profit margin would be achieved if cigarettes were sold from machines, rather than from behind the bar. Using the current figures, as detailed below, calculate what the margin would be.

	Sales at Cost		Sales at Retail
Draught beers	£ 3,463.96		£ 7,328.65
Bottled / canned beers	£ 716.45		£ 2,395.65
Minerals	£ 545.83		£ 2,185.95
Spirits	£ 814.85		£ 3,446.15
Liqueurs	£ 261.85		£ 785.00
Cigarettes	£ 844.95		£ 1,104.55
	£ 6,647.89		£ 17,245.95
Allowances			£ 563.85
			£ 16,682.10
Takings - inc VAT			£ 16,445.85
Surplus / (Deficit)		1.44%	£ 236.25
Estimated GP %	53.18%	Actual GP %	52.50%

Answer

By taking both the cost of sales and retail takings out the example figures may be

	Sales at Cost		Sales at Retail
Draught beers	£ 3,463.96		£ 7,328.65
Bottled / canned beers	£ 716.45		£ 2,395.65
Minerals	£ 545.83		£ 2,185.95
Spirits	£ 814.85		£ 3,446.15
Liqueurs	£ 261.85		£ 785.00
	£ 5,802.94		£ 16,141.40
Allowances			£ 563.85
			£ 15,577.55
Takings - inc VAT			£ 15,341.30
Surplus / (Deficit)		1.54%	£ 236.25
Estimated GP %	56.23%	Actual GP %	55.55%

An increase in GP of about 3 %



Question 15

At premises where you normally carry out monthly stocktaking, and where the results are generally good, you suddenly and unexpectedly find a deficit of £ 950 .
List 10 methods you would use to identify the cause(s) of the deficit.

Answer

Ten areas to check with a sudden stock shortage:-

- Check that the takings are correct.
- Check takings as shown on till agree with takings record.
- Check purchases are correctly entered on stock sheets.
- Check that all goods signed for have been received, look out for credit notes.
- Check allowances and any transfers are correct.
- Compare sales for this period with sales for previous period and look into any large differences.
- Check selling prices on stock sheets against bar tariff &, or Tills.
- Check for any stock on loan.
- Check for stock applied for own use by the client.
- Recheck closing stock if possible or arrange for a further stock take as soon as possible.
- Check for any new members of staff.
- Check if tills are balancing on a daily or session basis.
- Check size of spirit measure has not been changed
- Check stock on loan last period has been returned
- Check PLU till report against actual sales



Question 16

In premises which have traded for only two months and in which there was no opening stock, you have calculated the following figures:-

Total income excluding VAT	£	13,885.13	
Consumption at cost	£	6,466.79	
Gross Profit	£	7,418.34	53.43%
Overall deficit	£	113.62	

You have not seen any invoices because they are at the accountant's, but you are confident of your figures because all stock comes from one supplier, and has been recorded and priced in the Goods Received Book during the stock period. The accountant has produced management accounts showing a gross profit of 59.88%. Explain how the discrepancy between his figures and yours might have occurred.

Answer

Every stocktaker has a duty to ensure that the information included in a stock result is correct, as far as it is feasibly possible. In this case, I would consider it unwise to accept the evidence of a goods received book as a record of purchases, without any confirmation in the form of invoices, or other evidence directly from the accountants to support the purchase figure.

The gross profit figure produced by the accountants is £ 8,556.88 , compared to the figure of £ 7,418.34 shown on the stock result, a shortfall of £ 1,138.54 I would suggest that in this case, it is possible that an invoice has not been passed to the accountants, or that the revenue figure given to them may be incorrect. In any case, it would be necessary to discuss the figures with them before any conclusions could be made.

The very latest delivery may be the cause of the discrepancy as the invoice may not have arrived from the supplier so the accountant will not have seen it but the stocktaker will have seen the delivery note.



Question 17

Cost prices on beer are to increase by £ 14.35 per barrel on beer and £ 16.55 per barrel on lager excluding VAT.

What increases per pint would you recommend in order that your client maintains the 61 % profit that they currently achieve.

Present prices per pint are £ 2.60 for beer and £ 2.90 for lager

Answer

- a) Beer increase $\text{£ } 14.35 / 36 = 0.3986 / 39 \times 100 = \text{£ } 1.0221$
 $\text{£ } 1.0221 \times 1.175 = \text{£ } 1.201 / 8 = \text{£ } 0.15$
Lager increase $\text{£ } 16.55 / 36 = 0.4597 / 39 \times 100 = \text{£ } 1.1788$
 $\text{£ } 1.1788 \times 1.175 = \text{£ } 1.385 / 8 = \text{£}0.173 \text{ (17p)}$
- b) The new beer price will be $\text{£ } 2.60 + \text{£ } 0.15 = \text{£ } 2.75$
The new lager price will be $\text{£ } 2.90 + \text{£}0.173 = \text{£ } 3.07$



Question 18

When visiting premises to carry out a stocktake, you are told that two wedding receptions have taken place during the period, neither of which has been paid for. You arrive at 1.00pm (halfway through the trading day), and are asked to adjust your result to the close of business the previous night. Explain, with examples, how you would deal with these two situations, and indicate what precautions you would take to ensure the accuracy of future results.

Answer

Firstly, it is important to ascertain that the weddings have already been included in the daily takings figures and that the corresponding amount has been posted to the credit ledger, awaiting payment.

If no credit ledger system is in operation and the bills have not yet been included in the daily takings figures, I would add the value of the outstanding amount to the part weeks takings in order to ensure that this amount is taken off the revenue figure for the next period, by which time the bills should have been paid. If they have not been paid by then, the process can be repeated until the money is received.

I would be unable to comply with the request to adjust an extended stock result to the close of business the previous night, unless there was a Z report from a preset till which itemised all sales since then. Only then would I be able to add back stock that had been detailed as sold and remove the corresponding takings from the total revenue.

Alternatively, an adjustment back to the previous night close of business can be done by using the gross profit achieved & adding back to stock the cost of sales for the income for the mornings trade. Leaving out the mornings takings once the gross profit figure has been noted for the adjustment. You would show this on stock by putting the cost of sales as cost price, the takings as retail price and a stock on hand of one.

The following stocktake the morning takings would be included in the income & be counteracted by the sale of the same figure from the opening stock.



Question 19

You have been requested to carry out a valuation at a newsagent's shop, which includes an off license, you are working for both parties at a change of ownership. The vendor informs you that the previous year's accounts show a gross profit of 18.5%, and asks you to apply this percentage to your calculations.

- Would you comply with this request ? Give reasons for your answer.
- Using the figures below show how you would present your valuation.

	Retail Value	GP %
Tobacco	£ 2,256.45	8 %
Newspapers	£ 452.80	20 %
Magazines	£ 860.80	35 %
Wines & Spirits	£ 4,256.78	18 %
Toys	£ 775.50	40 %
Cards	£ 975.55	50 %
Household	£ 697.47	20 %
Groceries	£ 970.00	20 %
Confectionery	£ 1,045.80	21 %

Answer

You would not comply with this request because each category has its own margins or may or may not be subject to V.A.T. Suggested layout of the valuation would be as follows

	VAT	Retail Value (Ex V.A.T.)	GP%	Cost Value
Tobacco	Y	£ 1,920.38	8	£ 1,766.75
Newspapers	N	£ 452.80	20	£ 362.24
Magazines	N	£ 860.80	35	£ 559.52
Wines & Spirits	Y	£ 3,622.79	18	£ 2,970.69
Toys	Y	£ 660.00	40	£ 396.00
Cards	Y	£ 830.26	50	£ 415.13
Household	Y	£ 593.59	20	£ 474.87
Groceries	N	£ 970.00	20	£ 776.00
Confectionery	Y	£ 890.04	21	£ 703.13
		<u>£ 10,800.66</u>		<u>£ 8,424.34</u>

The GP percentages should be checked with relevant invoices and care taken that the correct selling prices are being used. The certificate of valuation would normally only detail the cost column.



Question 20

A: Explain what action you would take on a changeover with the following food items.

- 1) A substantial quantity of "Home Made" pies and dishes with no indication of when they were made
- 2) 12 Poly Tubs of Dried Herbs, all in date.
- 3) A part bag of free flow frozen Sausages(in date) with substantial frost in the bag.

B: List in detail what precautions you would take when handling the following items while carrying out the count on a Food Stocktake.

- 1) Fresh Chicken or Poultry
- 2) Cooked Meats

Answers

A)

- 1) As the date of preparation cannot be ascertained they should be omitted from the valuation. Explain your reasons to the Vendor & ask for them to be removed.
- 2) List product description & size and obtain cost price from invoice or price list, or use average cost(discuss between parties or with chef) being mindful that they are not high cost products.
- 3) Either remove or leave in situ pointing out that they have not been valued as there is a good chance they have freezer burn. A freeflow product usually has a glaze around it so they can be individually removed. The presence of a large amount of frost would indicate a poor seal & that the bag had been open for a long period of time.

B)

- 1) Wash hands before handling raw poultry.
- 2) Handle cooked meats only after washing your hands. Be mindful of cross contamination with raw meats.