



# Examination Paper

April 2008

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.	<input type="checkbox"/>	2.	<input type="checkbox"/>	3.	<input type="checkbox"/>	4.	<input type="checkbox"/>	5.	<input type="checkbox"/>
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Question 1

Your valuation of stock, as at 25th February 2008 is £ 6,718.95

Purchases to the end of the month are(Exclusive of VAT) £ 2,245.85

Takings - ( Exclusive of VAT ) £ 6,954.50

Assuming a normal gross profit of 57.15% prepare a valuation as at 1st March 2008

*Answer*

*Stock taken as at 25th February 2008*

*Purchases in period 25th February 2008 to 1st March 2008 ( Ex Vat ) £ 2,245.85*

*Income for period 25th February 2008 to 1st March 2008 ( Ex Vat ) £ 6,954.50*

*Valuation as at 25th February 2008 £ 6,718.95*

*Normal G.P. % 57.15% Cost of Goods Sold 42.85%*

*Stock Adjustment as at 1st March 2008*

*Valuation as at 25th February 2008 £ 6,718.95*

*Less cost of sales 42.85% £ 2,980.00*

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*£ 3,738.95*

*Plus purchases £ 2,245.85*

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*Amended Valuation as at 1st March 2008 £ 5,984.80*



Question 2

A client asks for advice on what profit margin would be achieved if Post Mix Minerals were removed from the liquor stock. Using the current figures, as detailed below, calculate what the margin would be.

	Sales at Cost		Sales at Retail
Draught beers	£ 3,465.74		£ 7,215.85
Bottled / canned beers	£ 793.45		£ 2,585.30
Minerals	£ 495.40		£ 2,355.45
Spirits	£ 935.75		£ 4,449.15
Liqueurs	£ 346.90		£ 965.80
Post Mix Minerals	£ 719.18		£ 4,082.30
	<hr/>		<hr/>
	£ 6,756.42		£ 21,653.85
Allowances			<hr/>
			£ 562.45
			<hr/>
			£ 21,091.40
Takings - inc VAT			£ 20,978.45
Surplus / ( Deficit )		0.54%	£ 112.95
Estimated GP %	62.36%	Actual GP %	62.16%

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	£ 3,465.74		£ 7,215.85
Bottled / canned beers	£ 793.45		£ 2,585.30
Minerals	£ 495.40		£ 2,355.45
Spirits	£ 935.75		£ 4,449.15
Liqueurs	£ 346.90		£ 965.80
	<hr/>		<hr/>
	£ 6,037.24		£ 17,571.55
Allowances			<hr/>
			£ 562.45
			<hr/>
			£ 17,009.10
Takings - inc VAT			£ 16,896.15
Surplus / ( Deficit )		0.67%	£ 112.95
Estimated GP %	58.29%	Actual GP %	58.02%

*A decrease in GP of about 4.1 %*



Question 3

On a stock result, the estimated gross profit is 55.7 % and the actual gross profit is 54.8 %. Give :-

- (1) Possible reasons for this difference and
- (2) Indicate what percentage of surplus or deficit may occur.

Based on a cost of sales figure of £ 15,900.00 show how the result may look and quantify the difference between estimated and actual G.P. %

Answer

The difference between actual and estimated gross profit is the difference between the gross profit which should have been achieved after any allowances have been taken into consideration, against what was actually achieved. Reasons for this difference may be excess waste, theft, larger than permitted measures being served, or any other reason for which no allowance may be made on the stock result.

$$\begin{array}{r} \text{Estimated G.P.} \\ \hline \end{array} = \frac{\text{£ } 15,900.00}{100 - 55.7} \times 100 \times 1.175 = \text{£ } 42,172.69$$

Estimated takings  
(after allowances have been removed)

$$\begin{array}{r} \text{Actual G.P.} \\ \hline \end{array} = \frac{\text{£ } 15,900.00}{100 - 54.8} \times 100 \times 1.175 = \text{£ } 41,332.96$$

Actual takings

$$\text{Difference between actual and estimated takings} = -\text{£}839.72 = -2.03 \% \quad \text{Shortage}$$



### Question 4

Explain how you would react to the following situations arising in regular stocktakes:-

- During a Happy Hour, a hotel bar gives a 30 % discount on every drink. If the takings for the cheaper drink periods amount to £1,565.00 , what allowances would you make?
- The sales of Bells Whisky are 17 9/10 ths during a 28 day stock period and there are 6 4/10 ths left in stock. What is the days stockholding figure?
- A 1.5 litre of whisky has been purchased for £ 21.35 plus VAT. If a measure of 35 ml is used what selling price per nip would produce a 68 % Gross Profit?
- Your client has received 2 kegs of lager free of charge that have been sold at half price.
- Selling prices have been increased halfway through the stock period.
- Beer has been returned for which the brewery will not be giving credit.

Answer

a) Happy Hour allowance

£ 1,565.00	/	70 x	100 =	£	2,235.71
less declared takings				£	1,565.00
Allowance				£	<b>670.71</b>

b) Days stockholding

Sales	17 9/10	divided by	28 days	=	0.6 per day
Closing stock	6 4/10	divided by	0.6	=	10.01 days stock

c) To achieve 68 % gross profit

£21.35	/	32 x	100 =	£	66.72 ex. VAT
				£	78.39 inc. VAT
Divided by	42.8	=	£	1.83	a measure

- The lager should be entered as FOC item so that the purchase figure is correct and the selling price entered at half normal price. Or. Full price & an allowance made for half of the retail value.
- The sales before and after the price increase have to be worked out, from that an allowance or surcharge can be applied. If a PLU report is available the difference can be calculated, work out the period sales at the new price and deduct the PLU total to give the allowance.
- The sales price of the beer will have to be allowed against sales but the cost price will have to be met by the business. A note could be made so that any queries by the authorities can be answered in the future.



Question 5

Your client informs you that he wishes to reduce the selling price of three of his draught beers by the following amounts :-

Bitter from £ 2.50 per pint to £ 2.30 Cost gallon £ 5.88

Lager from £ 2.80 per pint to £ 2.30 cost gallon £ 8.75

Cider from £ 2.80 per pint to £ 2.40 cost gallon £ 6.83

He estimates that these lower prices will increase sales dramatically Calculate how much extra he will have to sell to maintain his cash margin for each product.

Answer

	<i>Selling Price</i>	<i>S.P gall Ex VAT</i>	<i>G.P</i>	<i>Difference</i>	<i>% Increase required</i>
<i>Bitter profit selling at</i>	£ 2.50	£ 17.02	£ 11.14		
	£ 2.30	£ 15.66	£ 9.78	1.362	13.92%
<i>lager profit selling at</i>	£ 2.80	£ 19.06	£ 10.31		
	£ 2.30	£ 15.66	£ 6.91	3.404	49.27%
<i>cider profit selling at</i>	£ 2.80	£ 19.06	£ 12.23		
	£ 2.40	£ 16.34	£ 9.51	2.723	28.64%

Therefore sales would need to be increased by the percentages shown for each product .



Question 6

After producing a stock result showing a deficit of -£ 295.65 , you are asked by your client for advice on how to remedy the situation. Using projections from the previous and current reports shown, detail the method you would use to analyse them. Show how you would present your findings to your client.

	Previous Report Retail sales		Current Report Retail sales	
Draught Beers	£	8,415.80	£	11,185.45
Bottled / canned beers	£	2,947.50	£	3,800.25
Minerals	£	2,616.90	£	3,395.50
Spirits	£	4,715.35	£	6,895.55
Tobacco	£	112.50	£	185.90
	£	18,808.05	£	25,462.65
Allowances	£	689.35	£	868.50
	£	18,118.70	£	24,594.15
Takings Figure	£	18,891.45	£	24,298.50
Surplus / deficit	£	772.75	4.09%	-£ 295.65 -1.22%

Answer

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 or groups have been identified action can be taken to further investigate the loss.

	£ 24,298.50	divided by	£ 18,891.45	=	1.2862
	<i>Previous Report</i>		<i>Project Sales</i>		<i>Actual Sales</i>
<i>Draught Beers</i>	£ 8,415.80		£ 10,824.54	£ 11,185.45	£ 360.91
<i>Bottled / canned beers</i>	£ 2,947.50		£ 3,791.12	£ 3,800.25	£ 9.13
<i>Minerals</i>	£ 2,616.90		£ 3,365.90	£ 3,395.50	£ 29.60
<i>Spirits</i>	£ 4,715.35		£ 6,064.96	£ 6,895.55	£ 830.59
<i>Tobacco</i>	£ 112.50		£ 144.70	£ 185.90	£ 41.20
	£ 18,808.05		£ 24,191.23	£ 25,462.65	£ 1,271.42
<i>Allowances</i>	£ 689.35		£ 886.65	£ 868.50	-£ 18.15

Once you have identified the group ( or groups ) that have high variances the same exercise can be carried out line by line.



Question 7

The extract of a PLU report shows the sales of wines by the glass. Wine is sold in two sizes, 175ml and 250ml glasses. The till report however merely gives the total glasses sold and the retail value. Which selling price would you use on your stock report and how would you calculate the difference

Give your reason for using the price you have calculated to.

	Units Sold	Sales Total	S.P 250ml	S.P. 175ml
Shiraz	38	£ 165.30	£ 4.80	£ 3.45
Rioja	76	£ 254.60	£ 3.75	£ 2.75
Chardonnay	195	£ 575.25	£ 3.70	£ 2.70
House Wine	235	£ 716.75	£ 3.35	£ 2.45

Answer

If it is decided to use the 250ml as the standard, the workings out would be:-

	Sales Total	Selling Price	Unit Sales
Shiraz	£ 165.30	£ 4.80	34.4
Rioja	£ 254.60	£ 3.75	67.9
Chardonnay	£ 575.25	£ 3.70	155.5
House Wine	£ 716.75	£ 3.35	214.0

If it is decided to use the 175ml as the standard, the workings out would be:-

	Sales Total	Selling Price	Unit Sales
Shiraz	£ 165.30	£ 3.45	47.9
Rioja	£ 254.60	£ 2.75	92.6
Chardonnay	£ 575.25	£ 2.70	213.1
House Wine	£ 716.75	£ 2.45	292.6

I would use the 250ml price as the average price, when calculated from the units sold on the print out, the larger wine glass size is closer to the price. Dependant on what price is used on the stock sheet a surcharge ( or allowance ) would have to be calculated and applied.



Question 8

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

Opening Stock		£	6,345.80	
Closing stock		£	6,085.80	
Purchases	( Ex VAT )	£	9,969.45	
Income	( Inc.VAT )	£	29,438.70	
Allowances at Retail	( Inc.VAT )	£	1,868.90	
Transfers from liquor at Retail	( Inc VAT )	£	215.65	56.40%

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	£ 6,345.80	Closing stock	£ 6,085.80
Purchases ( Ex VAT )	£ 9,969.45	Income ( Ex VAT )	£ 25,054.21
Transfers from liquor	£ 80.02		
Gross profit	£ 14,744.74		
	<hr/>		<hr/>
	£ 31,140.01		£ 31,140.01
Gross Profit %	58.85%		

( b ) Trading Account - Allowances at Retail

Opening stock	£ 6,345.80	Closing stock	6,085.80
Purchases ( Ex VAT )	£ 9,969.45	Income ( Ex VAT )	25,054.21
Transfers from liquor	£ 80.02		
Gross profit	£ 16,335.30	Allowances ( Ex VAT )	1,590.55
	<hr/>		<hr/>
	£ 32,730.57		32,730.57
Gross Profit %	61.31%		

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

( c ) Trading Account - Allowances at cost

Opening stock	£ 6,345.80	Closing stock	£ 6,085.80
Purchases ( Ex VAT )	£ 9,969.45	Income ( Ex VAT )	£ 25,054.21
Transfer from liquor	£ 80.02		
Gross profit	£ 15,360.16	Allowances ( Ex VAT )	£ 615.42
	<hr/>		<hr/>
	£ 31,755.43		£ 31,755.43
Gross Profit %	61.31%		

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



Question 9

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 68 % 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	32 %	71.68	@	0.11 p	= 7.88
224 x	68 %	152.32	@	0.125 p	= 19.04
Selling price per litre of syrup					<b>£ 26.92</b>

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 32 % = 7.88
224 / 4	=	56 glasses	x	0.50	x 68 % = 19.04
Selling price per litre of syrup					<b>£ 26.92</b>



Question 10

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	£ 3.15
1	Aberlour 12 YO	selling at	£ 3.75
1	Oban 14 YO	selling at	£ 4.25
1	Talisker 10 YO	selling at	£ 3.35
1	Laphroaig	selling at	£ 3.50

The total cost of the cabinet is £ 117.50 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.

		Selling Price	Total SP Ex VAT	Cost
20	Balvenie 10 YO	£ 3.15	£ 53.62	£ 20.56
20	Aberlour 12 YO	£ 3.75	£ 63.83	£ 24.48
20	Oban 14 YO	£ 4.25	£ 72.34	£ 27.74
20	Talisker 10 YO	£ 3.35	£ 57.02	£ 21.87
20	Laphroaig	£ 3.50	£ 59.57	£ 22.85
			<hr/> <hr/>	<hr/> <hr/>
			£ 306.38	£ 117.50
	Retail Value of Malts		£ 306.38	
	Less cost of Malt whisky		£ 117.50	
	Gross Profit		£ 188.88	
	Gross profit %		61.65% Cost	38.35%



Question 11

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

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

Answer

- 1) 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.

- 2) 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.

- 3) 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,

- 4) 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.

- 5) 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 12

What is a cash reconciliation? Prepare an example, and detail clearly what information you would need to ensure accuracy. If you found differences, what causes would you look for. If you could not find any, what action would you take?

Use the following figures as a basis for your example.

	£.p
House Float	1000.00
Bankings	4935.50
Petty cash	490.45
Liquor and food takings (current week)	4995.6
Debtors Ledger paid (current week)	625.00
Cash in hand excluding Till Floats	667.85
Cash in Till Floats	500.00

Answer

Cash reconciliations are mostly employed in clubs or managed houses. Basically all cash on site is counted, and compared with information on banking and petty cash etc. The format varies from company to company but should be as follows:-

House & Till Floats	1000.00	Bankings	4935.50
Cash takings	4995.6	Petty cash	490.45
Debtors ledger paid	625.00	Floats	500.00
	<u>6620.60</u>	Cash in hand	<u>667.85</u>
			6593.80
		Shortage	26.80

I would then inform the Club Secretary or Area Manager that there is a shortage of £ 26.80 after checking for errors with the Steward or Manager.

Or

Float	1000.00	<u>Cash Out</u>	
Takings	4995.60	Bankings	4935.50
Debtors ledger paid	625.00	Petty Cash	<u>490.45</u>
	<u>6620.60</u>		5425.95
Cash out	<u>-5425.95</u>	<u>Cash in Hand</u>	
	1194.65	Till Float	500.00
Cash in hand	<u>-1167.85</u>	Cash in Hand	<u>667.85</u>
			1167.85
Shortage	26.80		



## Question 13

You are taking both liquor & food stocks at the same premises. You discover that Liquor valued at £ 325.10 at retail has been transferred to the kitchen, and food with a cost value of £ 143.40 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 56 %

### Answer

On the liquor stock the sum of £ 325.10 would be shown as a retail allowance. In addition the cost of these transfers should be deducted from the liquor purchases.

$$\text{£ } 325.10 \text{ Less VAT } = \text{£ } 276.68 \quad \times \quad 44 \quad = \quad \text{£ } 121.74$$

This assumes a gross profit of 56 % is achieved on the liquor stock.

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

On the food stock £143.40 would be shown as a credit at cost and the figure of £121.74 would be entered as a food purchase.



Question 14

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		6215 gallons
Bitter		4219 gallons
Budweiser	330 ml	3268 dozen
Becks Beer	275 ml	2694 dozen
Newcastle Brown	550 ml	574 dozen
Edinger NA	500 ml	189 dozen

Answer

<i>Lager</i>		<i>6215 divided by</i>	<i>36</i>	<i>172.64</i>	<i>barrels</i>
<i>Bitter</i>		<i>4219 divided by</i>	<i>36</i>	<i>117.19</i>	<i>barrels</i>
<i>Budweiser</i>	<i>12 x</i>	<i>330 ml =</i>	<i>3.96 ltrs</i>		
	<i>36 galls</i>	<i>=</i>	<i>163.66 ltrs</i>		
	<i>163.66 divided by</i>	<i>3.96</i>	<i>41.328</i>		
		<i>3268 divided by</i>	<i>41.328</i>	<i>79.07</i>	<i>barrels</i>
<i>Becks Beer</i>	<i>12 x</i>	<i>275 ml =</i>	<i>3.3 ltrs</i>		
	<i>36 galls</i>	<i>=</i>	<i>163.66 ltrs</i>		
	<i>163.66 divided by</i>	<i>3.3</i>	<i>49.594</i>		
		<i>2694 divided by</i>	<i>49.594</i>	<i>54.32</i>	<i>barrels</i>
<i>Newcastle Bro</i>	<i>12 x</i>	<i>550 ml =</i>	<i>6.6 ltrs</i>		
	<i>36 galls</i>	<i>=</i>	<i>163.66 ltrs</i>		
	<i>163.66 divided by</i>	<i>6.6</i>	<i>24.797</i>		
		<i>574 divided by</i>	<i>24.797</i>	<i>23.15</i>	<i>barrels</i>
<i>Edinger NA</i>	<i>12 x</i>	<i>500 ml =</i>	<i>6.0 ltrs</i>		
	<i>36 galls</i>	<i>=</i>	<i>163.66 ltrs</i>		
	<i>163.66 divided by</i>	<i>6.0</i>	<i>27.277</i>		
		<i>189 divided by</i>	<i>27.277</i>	<i>6.93</i>	<i>barrels</i>
				<hr/>	
<i>TOTAL BARRELAGE</i>				<i>453.31</i>	



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 £ 775 .  
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 till
- 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

After taking a back seat for some time, your client has dismissed his manager and wants to take a more 'hands on' approach to his business. He asks your advice on the following:-

- a) Cash Flow
- b) Business Plan
- c) Gross Profit and Cost of Sales
- d) Bar Promotions
- e) Bar price structure

For each of these, provide a brief explanation and indicate what practical advice you would give your client

Answer

- a:- Cash Flow. Is the movement of money into and out of a business and is made up of income i.e. takings etc. and outgoings i.e. all payments for stock and services. If more money is being spent than is received then cash flow will be negative. I would advise the client to monitor his bank balance on a weekly basis to be certain that cash flow is always positive. I would advise him that a common cause of poor cash flow is over stocking and to monitor his stock movements.
- b:- Business Plan. Is a statement setting out all the expected business activities for a period, normally one year at a time, and may incorporate a cash flow forecast. I would advise that it is a good idea to prepare a full business plan in order to monitor progress of the business throughout the year against the plan.
- c:- Gross Profit and Cost of Sales. Gross profit is the amount of profit made after paying for the goods and paying VAT. Cost of sales is the cost of the goods as paid to your suppliers. I would advise that a close watch is kept on the gross profit levels, with particular attention to the effect of the supplier's price increases.
- d:- Bar Promotions. Is used to increase sales and may take many forms, such as selling products at a cheaper price than normal or running special events such as a pool tournament. I would advise the client to check the amount of extra business each promotion brings in, as the cost of the promotion must be taken into account when determining if the activity really adds anything to the profits of the business.
- e:- Pricing Structure. This will take into account the local competitive market, demand for a particular product and alternative, more cost effective products.



Question 17

A client who wishes to achieve 54 % on draught beer and 63 % on his wine list asks you for the formula he should apply to the cost price, ( excluding VAT ), to obtain the selling price, ( including VAT ), for any new items he may purchase. Show the formula for each category and indicate how you have arrived at it.

To test the formula a firkin of Pedigree costs £ 73.85 Ex VAT

a bottle of Sauvignon blanc costs £ 3.75 Ex VAT

Answer

**To achieve : 54 % Gross Profit on Draught Beer**

$$( 1 / 46 ) \times 100 \text{ plus VAT} = 2.554$$

72 Beer £ 73.85 x 2.554  
divided by 72 pints £ 2.62 pint

**To achieve : 63 % Gross Profit on Draught Beer**

$$( 1 / 37 ) \times 100 \text{ plus VAT} = 3.176$$

1 Bottle wine £ 3.75 x 3.176  
divided by 1 bottle £ 11.91 Bottle



## Question 18

Your client has received an offer from a wholesaler who is prepared to give 6 free 70cl bottles of vodka with each 6 kegs of lager purchased. The normal price for vodka is £ 8.95 plus VAT. The wholesaler's lager, however is £ 0.60 per gallon, exclusive of VAT dearer than the present supplier. Detail the advice you would give, based on 11 gallon kegs and 22 gallon kegs of lager, and provide workings which show whether he would be better or worse off with the new deal.

### Answer

Assuming that the kegs in question are 11 gallons he would be well advised to take the offer.

Extra cost of lager	11 x	£ 0.60	£ 6.60
Cost of free vodka			£ 8.95

However if the kegs were 22 gallons the following figures apply.

Extra cost of lager	22 x	£ 0.60	£ 13.20
Cost of free vodka			£ 8.95

In addition it should be pointed out to the client that he will have to purchase six kegs to accept the offer. Has he got the sales to warrant this. The gross profit on the vodka would be considerably higher than on the lager and he may want to run a promotion to boost his own sales using the extra profit.



Question 19

On scrutinising a till roll after completing a stock result showing a large shortage you note the following:-

No sales                      515      ( 29% of total rings)

Voids                            169

The Z2 number has increased by three since the last visit.

Detail the advice you would give your client and the recommendations you would make.

Answer

No Sales: I would ascertain the need for this large number of no sales. It is common for no sales to be recorded when change is needed for gaming machines etc. However with a large stock shortage I would advise the client to instruct the staff to avoid using the no sale button where possible. If possible turn the no sale facility off.

Voids: Again I would ask the client to ascertain the reasons why such a large number of voids had been used, and would instruct him that further staff training may be needed in the operation of the till. Both no sales and voids may be used to short ring the till but still enable the daily cash to balance.

Z2 number: This should never increase between stock takes and it indicates that someone other than the stocktaker or client has access to the Z2 key, enabling them to obtain an interim reading from the till and resetting till information. I would advise that no Z2 keys should be left accessible to staff.



Question 20

You are asked to prepare a stock valuation for both Vendor and Purchaser at a town centre public house. While taking the count you find 6 bottles of whisky (1.5litres each) in the spirit cupboard with broken seals. 3 full kegs of lager with sell-by date 3 days prior to changeover. 10 doz Becks Bier marked 'Duty Free' and 12 doz grapefruit juice with sell-by date one month after changeover. Homemade food wrapped in foil in the freezer not dated. Explain what action you would take in each case.

Answer

- a) Whisky: 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 alcohol proof.  
If the hydrometer test shows adulteration none of the whisky would be accepted and the remainder of the stock would be under suspicion. This would mean testing all the remaining open bottles of spirit on the premises.
- b) Short dated kegs of Lager: 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.
- c) Duty Free Goods: Ask the vendor to remove them for his own consumption. It would be illegal to include them on the valuation as the duty has not been paid.
- d) Grapefruit Juice: Is notoriously slow item to sell and unless there is proof that these would be sold within the month there are two options open.  
If the juices were taken into stock they would be at a substantial discount or else take only one case at the normal price and do not value the remainder.  
The vendor can then remove them from the premises or leave them for the deposit value of the bottles and cases only.
- e) Would not include homemade food in the valuation, plus not dated therefore unable to tell how long the food had been frozen.