

21 Adam records his inventory using the AVCO (perpetual inventory) to calculate its value.

Which statement is correct?

- A** He only values it at the end of the month.
- B** He only values it at the year-end.
- C** He values it at the same price throughout the year.
- D** His inventory is valued after every purchase and issue.

22 Which statements about absorption costing are correct?

- 1 It can be used as a basis for calculating the selling price of a product.
- 2 It ensures that all the costs of the business are charged to the production.
- 3 It ensures that only variable costs are charged to production.
- 4 It is used to calculate the factory cost for a unit of production.

- A** 1 and 2 **B** 1 and 4 **C** 2 and 4 **D** 3 and 4

23 How is the margin of safety calculated?

- A** actual contribution less budgeted contribution
- B** actual profit less budgeted profit
- C** budgeted contribution less break-even point
- D** budgeted sales less break-even point

24 A business provides the following information about a product.

| | \$ |
|------------------------|--------|
| variable cost per unit | 16 |
| selling price per unit | 30 |
| total fixed costs | 35 000 |
| budgeted profit | 95 000 |

How many units should it produce to achieve the budgeted profit?

- A** 4286 **B** 4334 **C** 6786 **D** 9286