

**22** The inventory movements of a business in a three-month period are shown.

date	receipts		issues
	units	per unit	units
January	200	\$10	
January	400	\$12	
February			100
March			400

The business uses the AVCO method of inventory valuation.

What was the value of inventory at the end of March?

- A** \$1000      **B** \$1100      **C** \$1133      **D** \$1200

**23** A manufacturer has an inventory at the end of the first year of operation.

What is the impact on profit if the manufacturer is considering using either marginal costing or absorption costing?

- A** The profit is the same if using either marginal costing or absorption costing.  
**B** The profit using absorption costing is higher because the inventory includes fixed overheads.  
**C** The profit using absorption costing is lower because all the fixed overheads are deducted.  
**D** The profit using absorption costing is lower because fixed overheads are under absorbed.

**24** A business has provided the following costing information for its production departments.

	machining	assembly
total production overheads	\$180 000	\$260 000
machine hours	65 000	38 000
labour hours	42 000	76 000

What would be a suitable overhead absorption rate for each department?

	machining \$	assembly \$
<b>A</b>	2.77	3.42
<b>B</b>	2.77	6.84
<b>C</b>	4.29	3.42
<b>D</b>	4.29	6.84