

23 A manufacturer operates a bonus system. He provides the following information.

output required from each worker	175 units
time allowed to complete output	10.5 hours
actual time worked by Fred	7 hours

A bonus is paid of 25% of the labour costs for time saved, in addition to the hourly rate of \$8.75.

What did Fred earn for his output of 175 units?

- A** \$68.91 **B** \$76.56 **C** \$91.88 **D** \$99.53

24 A potential investor looks at the financial statements of four companies. Their income statements all show the same level of revenue and profit from operations. The cost of purchasing inventory is increasing.

company 1 uses AVCO to value inventory

company 2 uses FIFO to value inventory

company 3 uses absorption costing

company 4 uses marginal costing

The investor wishes to invest in companies with the best underlying profitability.

Which companies should he select?

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

25 A company is classifying its costs. It discovers that for any level of output between 10 000 and 15 000 units the freight cost per unit is always the same figure of \$2 per unit.

Of which type of cost is this an example?

- A** fixed cost
B semi-variable cost
C stepped fixed cost
D variable cost

26 When does under absorption of overheads occur?

- 1 Actual expenditure is less than budgeted.
- 2 Actual expenditure is more than budgeted.
- 3 Production is lower than planned.
- 4 Production is higher than planned.

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