

**23** Details of inventory movements for an item are shown.

date	transaction	quantity (units)	unit value \$
1 January	opening balance	400	10.00
2 February	bought	200	11.00
3 June	sold	100	12.50
4 August	bought	200	12.00
4 December	sold	300	13.00
31 December	closing inventory	400	?

What is the value of closing inventory if the first in first out (FIFO) method of inventory valuation is used?

- A** \$4000      **B** \$4600      **C** \$5000      **D** \$5200

**24** What are advantages of absorption costing?

- 1 conforms to the matching concept
- 2 is a recognised method of inventory valuation
- 3 is suitable for determining selling price

- A** 1, 2 and 3      **B** 1 and 2 only      **C** 1 and 3 only      **D** 2 and 3 only

**25** A business calculates its overhead absorption rates on the basis of direct labour hours. For the month of October the following information is available.

	\$
budgeted overhead expenditure	15 000
budgeted direct labour hours	5 000
actual overhead expenditure	15 800
actual direct labour hours worked	4 000

What was the under or over absorption of overheads for October?

- A** \$3000 over  
**B** \$3000 under  
**C** \$3800 over  
**D** \$3800 under