

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

| date        | transaction       | quantity<br>(units) | unit value<br>\$ |
|-------------|-------------------|---------------------|------------------|
| 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