

22 The cost of direct materials is increasing.

What is the effect if a business uses first-in-first-out (FIFO) instead of average cost (AVCO) for inventory valuation in this situation?

	cost of sales	profit for the year	closing inventory value
A	increases	decreases	increases
B	increases	decreases	decreases
C	decreases	increases	decreases
D	decreases	increases	increases

23 Q Limited employs machine operators and supervisors.

Each machine operator produces 100 units per week.

One supervisor can supervise up to 10 machine operators and is paid \$550 per week.

Production is 7700 units per week.

Which type of cost is the supervisors' pay and how much is their total pay per week?

	type of cost	total pay per week \$
A	stepped	4235
B	stepped	4400
C	variable	4235
D	variable	4400

24 What is a limitation of absorption costing?

- A** It does **not** comply with accounting principles.
- B** It does **not** take into account all costs of production.
- C** It is **not** accepted for preparing published financial statements.
- D** It is **not** useful for improving the organisation's performance.