3 Redwood Manufacturing Ltd started in business on 1 January 2008 to manufacture furniture to customers' special requirements. The following information is available for its first three years in business.

| | 2008 \$ | 2009 \$ | 2010 \$ |
|-------------------------------------|-------------------|-------------------|-------------------|
| Fixed Costs | 60 000 | 66 000 | 70 000 |
| Direct materials (per unit) | 15 | 15 | 16 |
| Direct labour (per unit) | 8 | 9 | 9 |
| Variable overheads (per unit) | 4 | 6 | 7 |
| Selling price (per unit) | 40 | 44 | 46 |
| The production and sales quantities | eriod were: | | |
| Production (units) Sales (units) | 15 000 12 000 | 12 000 13 000 | 16 000 16 000 |

All inventory has been valued using FIFO.

REQUIRED

| (a) | | Prepare a statement showing the gross profit for each of the three years if the compused | | |
|-----|-----|--|--|--|
| | (i) | marginal costing principles to valuing inventory (stock); | | |
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| | osorption costing principles to valuing inventory (stock). |
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| (b) | Prepare a statement to reconcile the amounts of profit for each of the three years calculated under both marginal costing and absorption costing principles. |
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