

- 23** A business was started on 1 January. The purchases and sales of inventory for January were as follows.

date	purchases	sales
4 January	3 at \$200 each	–
13 January	–	2 at \$400 each
26 January	3 at \$250 each	–
28 January	–	2 at \$400 each

The business used the first in first out (FIFO) method of inventory valuation.

What was the gross profit for January?

- A** \$250                      **B** \$650                      **C** \$700                      **D** \$750

- 24** A manager is preparing a quotation for Job 88. A specialised technician is hired to work for this job only. He will use machinery that the company already owns.

Which statement is correct about expenses for Job 88?

- A** Both machinery depreciation and technician wage are direct.  
**B** Both machinery depreciation and technician wage are indirect.  
**C** Machinery depreciation is direct and technician wage is indirect.  
**D** Machinery depreciation is indirect and technician wage is direct.

- 25** Budgeted overhead expenditure was \$180 000 and budgeted labour hours were 12 000. Actual overheads amounted to \$196 000 and actual labour hours were 12 200.

What was the under or over absorption of overheads?

- A** \$3000 over  
**B** \$3000 under  
**C** \$13 000 over  
**D** \$13 000 under

- 26** Why might a business use marginal costing?

- 1 to calculate break-even units
- 2 to decide on the most profitable use of limited resources
- 3 to decide whether to make a product or buy it

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