

- 23** Inventory cost prices are rising for a business. The company uses AVCO rather than FIFO to value its inventory.

What is the effect on inventory valuation and profit of using AVCO rather than FIFO?

	inventory valuation	profit
<b>A</b>	higher	higher
<b>B</b>	higher	lower
<b>C</b>	lower	higher
<b>D</b>	lower	lower

- 24** A company calculates its profit using marginal costing as \$90 000 for a month.

Opening inventory was 4000 units and closing inventory 6000 units.

The fixed production overhead absorption rate is \$20 per unit.

What is the profit under absorption costing?

- A** \$10 000      **B** \$50 000      **C** \$130 000      **D** \$170 000

- 25** A manufacturing business has provided the following information.

budgeted labour hours	12 000
budgeted overhead absorption rate	\$7.50 per labour hour
actual overhead cost	\$101 250
actual labour hours	15 000

What is the over or under absorption of overheads?

- A** \$11 250 under absorbed  
**B** \$11 250 over absorbed  
**C** \$20 250 under absorbed  
**D** \$20 250 over absorbed