

- 21** H Limited's cost of sales for the recent two years (Year 2 and Year 1) is as follows:

|                   | Year 2<br>\$ | Year 1<br>\$ |
|-------------------|--------------|--------------|
| average inventory | 100 000      | 65 000       |
| credit purchases  | 910 000      | 760 000      |
| cost of sales     | 850 000      | 750 000      |

Which statement regarding the efficiency of inventory turnover is correct?

- A** Year 2 is better because the average inventory is higher.
- B** Year 2 is better because the inventory turnover (in days) is higher.
- C** Year 2 is worse because the cost of sales is higher.
- D** Year 2 is worse because the inventory turnover (in days) is higher.
- 22** Which expense for a business may be classified as a stepped cost?
- A** direct labour
- B** direct materials
- C** factory rent
- D** telephone
- 23** Which statements describe just in time (JIT) management of inventory?
- 1 It increases administration costs as more suppliers are required.
  - 2 It is a management strategy that minimises inventory to increase efficiency.
  - 3 Producers hold only sufficient inventory to meet maximum market demand.
  - 4 The system benefits cash flow and reduces the amount of capital required to run the business.
- A** 1 and 2      **B** 1, 3 and 4      **C** 2, 3 and 4      **D** 3 and 4 only
- 24** The direct materials cost of a batch of soft drinks is \$10 000 for 50 000 cans. 60 direct labour hours are required at a cost of \$40 per labour hour. Overheads are absorbed at 250% of the cost of direct labour.

What is the cost per soft drink can to the nearest dollar?

- A** \$0.20      **B** \$0.37      **C** \$0.44      **D** \$1.04