

**20** A business has the following current assets and current liabilities.

	\$
trade receivables	6000
bank overdraft	1500
cash in hand	50
trade payables	5050

The only other item in the working capital is inventory.

The current ratio is 2 : 1.

What is the value of the inventory?

- A** \$2550                      **B** \$4050                      **C** \$5550                      **D** \$7050

**21** A mechanic carries out regular factory machine maintenance. He is paid an annual salary of \$20 000.

Which type of cost is this?

- A** direct labour cost  
**B** fixed factory cost  
**C** variable factory cost  
**D** variable administrative cost

**22** A manufacturer uses the weighted average cost (AVCO) method of inventory valuation. Opening inventory was 10 units at \$50 each.

During the month:

30 units were purchased costing \$70 each.

20 units were sold at \$80 each.

What was the value of the inventory at the end of the month?

- A** \$1200                      **B** \$1300                      **C** \$1400                      **D** \$1600

**23** Which statement is correct when production increases?

- A** Total fixed costs fall.  
**B** Total variable costs fall.  
**C** The fixed cost per unit falls.  
**D** The variable cost per unit falls.