

- 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
A	higher	higher
B	higher	lower
C	lower	higher
D	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