

Costing for Material and Labour

- 4 Kevin runs a small manufacturing business. He is considering which method of inventory valuation he should use.

REQUIRED

- (a) State **two** advantages to a business of using **each** of the following methods of inventory valuation.

- (i) First in first out (FIFO)

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- (ii) Last in first out (LIFO)

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- (iii) Average cost (AVCO)

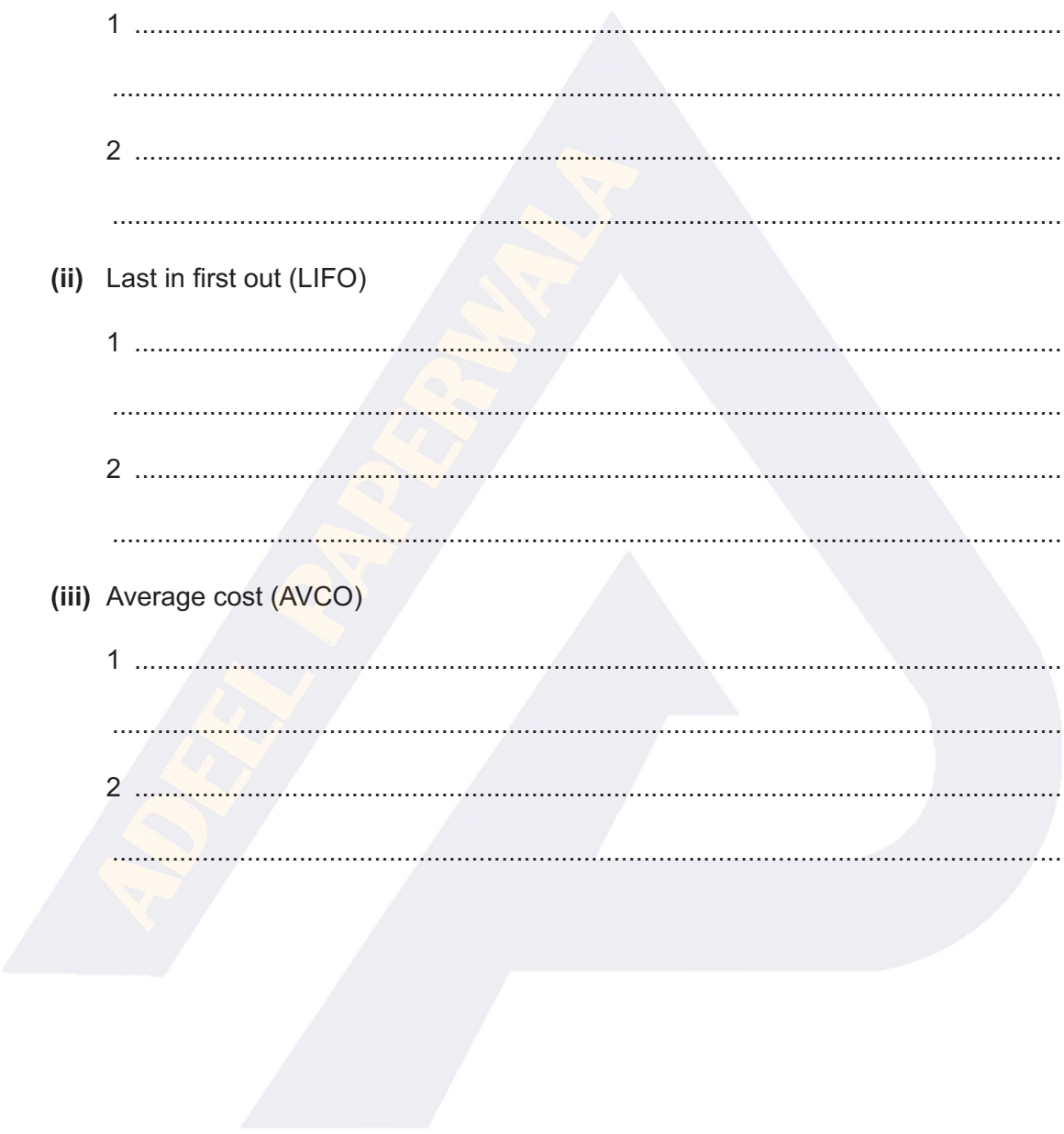
1

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- 4 Jessie is a manufacturer and uses a single raw material to make her product. The following table shows inventory transactions for the month of March 2019.

Date		Kilos	Per kilo \$
March 1	Opening balance	1500	1.90
3	Receipts	3500	1.92
10	Receipts	2000	1.95
17	Receipts	1500	2.00

Jessie uses the First In First Out (FIFO) method to value her inventory. The following issues to production took place.

Date	Kilos
March 5	3000
23	4500

REQUIRED

- (a) Calculate the following in dollars:

- (i) the value of issues to production on 5 March

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- (ii) the value of issues to production on 23 March

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- (iii) the value of closing inventory at 31 March.

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(b) State **two** advantages to a business of using the FIFO method of inventory valuation.

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2

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