MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD

ADVANCED MATRICULATION LEVEL
2024 SECOND SESSION

SUBJECT:	**Accounting**
PAPER NUMBER:	I
DATE:	29th August 2024
TIME:	9:00 a.m. to 12:05 p.m.

This paper contains **THREE** sections. Follow the instructions below.

SECTION A

Answer all **FIVE** questions from this section. Each question carries 4 marks.

SECTION B

Answer question 6. **This question is compulsory** and carries 30 marks.

SECTION C

Answer any **TWO** questions from this section. Each question carries 25 marks.

You must show the workings leading up to your answers.
Candidates may only use non-programmable calculators in this examination.

SECTION A

Answer all FIVE questions in this section. Each question carries 4 marks.

1. You have been appointed treasurer of your local football club. Members can pay either an annual subscription or a life membership fee.
   Describe the accounting treatment of these **TWO** types of fees and explain the underlying reason and accounting concept being used. (4)

2. Your accounting services firm has prospered over time and you have been advised to form a limited liability company. You would need to draft a memorandum and articles of association. Describe the contents of these **TWO** documents required to form a company, highlighting the scope of **each** document. (4)

3. (a) Explain the difference between a bonus issue and a rights issue of shares. (2)
   (b) What is the difference between the nominal value and the market value of a share? Which value is reported in the capital part of the statement of financial position? (2)

4. For **each** of the following reserve, explain how it is created and how it may be utilised:
   (a) General Reserve; (1)
   (b) Share Premium; (1)
   (c) Revaluation reserve; and (1)
   (d) Retained earnings. (1)

5. The IASB's Conceptual Framework requires information in financial statements to have certain qualitative characteristics. Identify and describe **FOUR** qualitative characteristics. (4)

(Total: 20 marks)

Please turn the page.

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SECTION B
Answer Question 6 in this section. This question is compulsory and carries 30 marks.

6. JJ Cappello, the proprietor of a home decor retail outlet, extracted the following trial balance from his books as on 31 March 2024:

	€	**€**
Capital		150,000
Drawings	14,800	
Purchases	134,800	
Salaries and wages	38,000	
Electricity	11,650	
Insurance	16,200	
Advertising	25,600	
Bad debts written off	8,900	
Discounts allowed/Discounts received	14,500	11,700
Administration expenses	12,300	
Electronic equipment maintenance	5,900	
Miscellaneous expenses	8,200	
Inventories (1 April 2023)	14,300	
Trade receivables/Trade payables	27,300	14,200
Premises	140,000	
Electronic equipment/Depreciation allowance	88,700	24,500
Fittings/Depreciation allowance	84,500	32,300
Motor vehicles/Depreciation allowance	44,000	9,200
Motor vehicle running costs	4,320	
Sales		356,000
Returns in/Returns out	14,200	5,300
4% Bank loan		100,000
Bank		6,050
Cash	1,480	
Difference in books		400
	709,650	**709,650**

Other information:

a) On 31 March 2024, inventories of goods for resale were valued at €22,800. After inventory was taken, a number of bags of cement costing €750 were found to have been badly damaged during a storm and were to be scrapped.

b) Goods which Cappello had sent to other outlets on a sale-or-return basis, selling for €4,800, were still unsold at the year end. These carried a 25% profit on selling price and were included in sales and trade receivables.

c) Cappello restricts sales on credit only to clients he knows well. However, among the trade receivables, he was convinced that two of these, owing a total of €610, would most likely not pay.

d) Loan interest for six months has been paid and entered in the bank account but no other entry was made.

e) One of the employees spent two weeks erecting extra shelving in the shop and another week at Cappello's home on maintenance work. The employee's weekly wage is €260. Material for the shelving, costing €580, was taken from inventory.

f) €420 worth of computer consumables were discovered in a drawer. Computer consumables are recorded in the Electronic Equipment Maintenance Account.

g) During the twelve months, Cappello had withdrawn goods from inventory costing €830 for his personal use.

h) Amounts owing at year end included:

	€
Wages	4,800
Administration expenses	1,430
Electricity	1,670

i) Prepaid insurance at year end amounted to €4,600. Furthermore, 25% of advertising costs relate to promotions to be published after 31 March 2024.

j) Depreciation is calculated as follows:

Electronic Equipment	20% on cost
Fittings	25% on cost
Motor Vehicles	40% on net book value
Premises	5% on cost of buildings

Depreciation is provided in full in the year of acquisition. No depreciation is provided for in the year of disposal.

k) The premises have been acquired recently and this is the first year depreciation is being provided. Land forming part of premises is valued at €40,000.

l) A lorry, written down value €4,200, was sold at a loss of €1,800. The original cost of the lorry was €9,000. The only entry made was to record the amount of the sale in the bank account.

m) All motor expenses, including the depreciation charge, are to be shared equally between carriage in and carriage out.

Required:

A. Prepare the Statement of Profit or Loss of JJ Cappello for the twelve months ended 31 March 2024. (15)

B. Prepare the Statement of Financial Position as at 31 March 2024. (15)

(Total: 30 marks)

Please turn the page.

SECTION C
Answer any TWO questions from this section. Each question carries 25 marks.

7. The following are the balances as extracted from the books of Mitchel plc, a manufacturing enterprise in the furniture sector, on 31 December 2023:

	€	€
Ordinary share capital (€0.50 per share)		1,800,000
Share premium		250,000
Retained earnings		42,200
6% Bank loan		200,000
Premises/Depreciation allowance	1,850,000	85,000
Plant & machinery/Depreciation allowance	820,000	124,000
Office equipment/Depreciation allowance	286,000	114,000
Motor vehicles/Depreciation allowance	156,000	48,200
Inventories: Raw materials	74,450	
Work-in-Progress	38,200	
Finished goods	43,700	
Provision for unrealised profit		5,700
Raw materials purchases	631,670	
Returns out		23,600
Returns in	74,200	
Loose tools inventory (1 January 2023)	1,250	
Purchase of loose tools	850	
Discounts: Allowed/Received	23,200	34,100
Bank		60,740
Cash	4,750	
Trade receivables/Trade payables	87,600	50,350
Allowance for expected credit losses		4,380
Sales		1,961,800
Factory wages	468,400	
Office salaries	96,800	
Royalties	28,000	
Advertising	23,100	
Insurance	18,200	
Electricity	41,700	
Motor vehicles running costs	19,300	
Bad debts written off	22,500	
Proceeds from sale of office equipment		5,800
	4,809,870	**4,809,870**

Other information:

a) Manufactured goods are transferred to finished goods inventory at a manufacturing profit of 15%.

b) Inventories on 31 December 2023:

	€
Raw materials	92,650
Work in Progress	29,995
Finished goods at transfer prices	48,300
Loose tools	1,640

c) Factory wages include:

	€
Supervisors' wages	52,300
Maintenance personnel wages	36,400
Factory cleaners' wages	18,600

d) Depreciation on non-current assets is to be provided as follows:

Office equipment and motor vehicles	40% reducing balance method
Plant and machinery	12.5% on cost
Premises	5% on cost

e) The cost of land included in Premises was €850,000.

f) The item Proceeds from sale of office equipment in the trial balance refers to the amount realised from the sale of equipment with original cost of €23,400 and accumulated depreciation allowance of €16,800.

g) An analysis of trade receivables at year end resulted in establishing expected credit losses of €6,200.

h) The bank loan was negotiated on 1 March 2023. The loan interest has not been accounted for.

i) On 31 December 2023, bank charges on the overdraft amounting to €3,840 had not been provided for. Direct factory wages of €15,600, office salaries of €8,200 and electricity of €9,320, were owing at year end. Insurance was prepaid by €5,100.

j) All motor expenses, including depreciation, are to be shared between Carriage in and Carriage out in the ratio of 2:3.

k) Allocate the following expenses as indicated:

	Factory	**Administration**
Electricity	75%	25%
Insurance	80%	20%
Premises depreciation	60%	40%

Required:

A. Show the entries in the Provision for Unrealised Profit Account. (4)

B. Prepare the Manufacturing Account and the Statement of Profit or Loss of Mitchel plc for the year ended 31 December 2023. (16)

C. Explain **TWO** benefits for manufacturing concerns when transferring manufactured goods to finished goods inventory at cost plus manufacturing profit. (5)

(Total: 25 marks)

Please turn the page.

8. Frances Gatt is an established retailer of haberdashery. The following is her Statement of Financial Position on 30 June 2023:

	€	€
Non-current assets		
At Cost		175,000
Less Depreciation to date		120,000
		55,000
Current Assets		
Inventory	21,250	
Trade Receivables	7,500	
Prepayments	500	
Balance at bank	10,625	
		39,875
		94,875
Capital		
Capital at 1 July 2022	77,500	
Add Net Profit for the year ended 30 June 2023	20,000	
	97,500	
Less Drawings	11,250	
		86,250
Current Liabilities		
Trade Payables	7,750	
Accruals	875	
		8,625
		94,875

Owing to family issues, Frances Gatt has been obliged to leave the day-to-day operation of her business since July 2023 in the hands of Alexia Zammit, a trusted employee. However, the accounting records of the business were not kept up to date. A letter from the bank drawing Frances's attention to the fact that her business bank account was €6,250 overdrawn on 30 June 2024, coincided with the sudden disappearance of Alexia Zammit. Subsequent investigations revealed that Alexia Zammit had not paid into the business bank account all the monies received from trade receivables; however, all necessary payments have been made correctly through the business bank account.

It has always been the practice of Frances Gatt to bank all business receipts intact and to make all payments from the business bank account. It can be assumed that there were no unpresented cheques at 30 June 2024 and all amounts paid into the bank account on or before 30 June 2024 were credited by that date.

Amounts prepaid on 30 June 2023 of €500 related to establishment expenses, while the accrued charges on same date of €875 related to administrative expenses.

Frances is trying to determine the amount of cash misappropriated and to prepare the financial statements for the year ended 30 June 2024. The following information has now been obtained concerning the year ended 30 June 2024:

a) Inventory at cost, on 30 June 2024, was valued at €13,750.

b) Gross Profit Margin was at a uniform rate of 25% throughout the year.

c) Payments for purchases totaled €138,375 whilst trade payables at 30 June 2024 were €4,125 more than a year previously.

d) Administrative expenses payments made during the year totaled €14,000 whilst the amount to be charged to the profit or loss account is €13,750.

e) Establishment expenses payments were €11,750 and establishment expenses prepaid on 30 June 2024 amounted to €1,000.

f) Non-current assets bought and paid for amounted to €25,000.

g) Depreciation is recorded annually at the rate of 5% of the cost of non-current assets held at the end of each financial year.

h) Frances Gatt's cash drawings totaled €12,500.

i) Trade receivables on 30 June 2024 amounted to €8,125 and cash sales during the year under review amounted to €102,500.

Required:

A. A computation of the amount of cash misappropriated during the year ended 30 June 2024. (5)

B. Frances Gatt's Profit or Loss Account for the year ended 30 June 2024 and a Statement of Financial Position at that date. (15)

C. Frances Gatt would like to know how her business is using liquid cash. Which accounting statement can she prepare for this purpose? Briefly highlight the main information provided by this statement. (5)

(Total: 25 marks)

Please turn the page.

9. Patches Limited is a manufacturer of designer clothing. It is currently assessing its property plant and equipment as of 31 December 2023. Opening balances on 1 January 2023 stood as follows:

Property Plant and Equipment	**Cost**	**Accumulated Depreciation**	**Net Book Value**
	€	**€**	**€**
Land & Buildings	8,000,000	(360,000)	7,640,000
Machinery	825,000	(495,000)	330,000
Motor Vehicles	252,000	(69,930)	182,070
	9,077,000	**(924,930)**	**8,152,070**

Information on the company's depreciation policy is detailed below:

Property, Plant and Equipment	**Depreciation Basis**	**Useful Lifetime / rate**	**Depreciation Policy**
Land & Buildings	Revaluation method. Straight Line basis for depreciation on Buildings.	50 years (buildings)	Straight line basis for buildings taking a full year's depreciation in the year of acquisition and nil in the year of disposal
Machinery	Units of Production method	250,000 units	Based on the estimated production for the year
Motor Vehicles	Reducing Balance Method	15% annually	A full year's depreciation in the year of acquisition and nil in the year of disposal

The following information pertaining to the year 2023 was made available:

a) On 31 December 2023, Land and Buildings were revalued to €9,500,000, of which €7,500,000 was attributable to land that originally cost €6,000,000.

b) Estimated production for 2023 is 75,000 units of clothing.

c) Based on an expert's report, a machine with a cost of €90,000 was assessed to be worthless. By 1 January 2023, the machine had helped produce 187,500 units of clothing.

d) Another machine, originally costing €95,000, was sold in January 2023 for €76,000. Its usage to date helped produce 10,000 units of clothing.

e) During the year ended 31 December 2023, a motor vehicle purchased in January 2020 for €20,000 was sold by way of part-exchange for another motor vehicle costing €16,000. The trade-in allowance was €9,000.

Required:

A. Prepare, for the year ended 31 December 2023:
   i. The Land and Buildings account and the accumulated depreciation account. (5)
   ii. The Motor Vehicles account, accumulated depreciation and disposal accounts. (8)
   iii. The Machinery account, accumulated depreciation and disposal accounts. (7)

B. Patches Limited is interested in assessing the efficiency of its non-current assets in generating revenue and measuring profitability. Describe **TWO** ratios that can be used to attain these objectives. What would be **ONE** disadvantage of the profitability ratio? (5)

(Total: 25 marks)

MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD

L-Università ta' Malta

ADVANCED MATRICULATION LEVEL
2024 SECOND SESSION

SUBJECT:	**Accounting**
PAPER NUMBER:	II
DATE:	30th August 2024
TIME:	9:00 a.m. to 12:05 p.m.

This paper contains **THREE** sections. Follow the instructions below.

SECTION A

Answer all **FIVE** questions from this section. Each question carries 4 marks.

SECTION B

Answer question 6. **This question is compulsory** and carries 30 marks.

SECTION C

Answer any **TWO** questions from this section. Each question carries 25 marks.

You must show the working leading up to your answers.
Candidates may only use non-programmable calculators in this examination.

SECTION A

Answer all FIVE questions in this section. Each question carries 4 marks.

1. Mix-Match Ltd operates a number of department stores across Malta and Gozo. The Human Resources manager is concerned about the high rate of employees leaving the company. For example, 55 employees left the company during August, which were replaced by 36 new employees. The total number of employees at the beginning of August were 2,500. The rate of labour turnover in the retail sector is 5%.
   (a) Calculate the labour turnover rate of Mix-Match Ltd for the month of August. (1)
   (b) Compare the rate of labour turnover calculated for Mix-Match Ltd in (a) above with the rate for the whole sector, explaining whether the Human Resources manager's concerns are justified. (3)

2. A company uses process costing to value its output. The following was recorded for the month of August:

Input materials	4,000 units at €9.00 per unit
Labour	€26,600
Production overheads	20% of labour costs
Normal loss	5% of input material
Actual loss	300 units
Scrap value of losses	€0.50 per unit

   There were no opening or closing stocks of material, work in progress or finished goods.
   (a) Calculate the valuation of **ONE** unit of output correct to one decimal place. (2)
   (b) What is the difference between normal loss and actual loss called and how are the units valued? (2)

3. (a) Describe **TWO** differences between process costing and job costing. (2)
   (b) Provide examples of **TWO** industries that use process costing and **TWO** industries that use job costing. (2)

Please turn the page.

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4. (a) Describe how cost-volume-profit analysis can be used for decision-making, using an example. (2)

   (b) A company wishes to make a profit of €30,000. It has fixed costs of €15,000 with a contribution to sales ratio of 75% and a selling price of €2 per unit.
   How many units would the company need to sell in order to achieve the required level of profit? (2)

5. Your managing director is complaining that the budget that you have just prepared is not very useful. He fears that the uncertainty in the market can affect demand quite haphazardly.
   Explain how a flexible budget would be helpful in circumstances of uncertainty and describe what is required in order to prepare a flexible budget. (4)

(Total: 20 marks)

SECTION B
Answer Question 6 in this section. This question is compulsory and carries 30 marks.

6. Zoo Limited will be incorporated on 1 October 2024. It will be involved in the manufacture of plastic animal toys and operations are planned to start during the first week of October 2024. The Directors have requested your assistance as an accountant, to present them with projections on the cash requirements of the company. The following information was provided:

a) On incorporation, the company will issue share capital for the amount of €40,000. The proceeds that will be received from the issue of share capital will be deposited with a local bank.

b) Zoo Limited will be selling plastic animal toys to both retail outlets and individual customers. 80% of the sales value is projected to be on credit to retail outlets. The company gives one month's credit to retail outlets, which results in an average of 50% of the credit sales being settled within one month of the sale and the balance is settled within two months of the sale. Individual customers will pay by cash, which will attract a 10% discount.

c) The below is the forecasted monthly sales in number of plastic animal toys:

	October 2024	**November 2024**	**December 2024**	**January 2025**
No. of plastic animal toys	8,000	12,000	15,000	20,000

d) The company targets a gross profit mark-up of 300% based on variable costs of production.

e) Zoo Limited estimates that it will require 2 kg of material per animal toy, costing €1 per kg, and paint costing €0.5 per toy.

f) The company does not plan to hold an inventory of finished goods.

g) In October 2024, Zoo Limited will acquire sufficient material and paint to cover the October orders and half of the following month's orders. Thereafter, the company's policy is to have sufficient stock of material at the end of each month to cover half of the following month's production. Suppliers will request Zoo Limited to settle 30% of the total purchases amount on delivery, whilst the balance is to be paid during the month following the purchase.

h) One employee shall be engaged on production on 1 October 2024. Remuneration is agreed at €0.20 per toy produced, with a minimum guaranteed rate of €2,000 per month. The employee's national insurance contribution is 10% of gross pay, the same as the employer's share. Assume that no income tax shall be payable by the employee. The net wages are paid to the employee at the end of each month. The total monthly contributions are payable to the Commissioner for Revenue by the 15th of the following month.

i) Production overheads have been analysed as variable at €0.80 per toy and fixed at €5,000 per month. The production overheads are payable at the end of each month. Fixed production overheads include depreciation (see note j).

j) In October 2024, the company will acquire the necessary equipment costing €30,000. Half of the purchase price will be settled on acquisition. The remaining balance will be paid in five equal instalments, commencing from the month following the purchase. The equipment shall be deemed to have a useful life of four years. At the end of the useful life, the equipment's estimated residual value would be immaterial. Depreciation is to be calculated on a straight-line basis and will be spread equally over the life of the equipment. The depreciation charge is included in fixed production overheads (see note i).

k) Zoo Limited will rent a factory to carry out the operations for €6,000 per month. Rent is payable quarterly in advance as from 1 October 2024. Rent is not included in fixed production overheads.

l) In November 2024, Zoo Limited will enter into a contract with an advertising company. The contract covers print advertising in a monthly magazine for four consecutive months for a total cost of €4,000. 20% of the total cost has to be paid on the signing of the contract, whilst the remaining balance is payable when the service starts being provided, that is, in December 2024.

Required:

A. Prepare a monthly cash budget for the **THREE** months ending 31 December 2024. (16)
B. Prepare the budgeted Statement of Profit or Loss for the quarter ending 31 December 2024. (7)
C. Prepare the budgeted Statement of Financial Position as at 31 December 2024. (7)

(Total: 30 marks)

Please turn the page.

SECTION C

Answer any TWO questions from this section. Each question carries 25 marks.

7. Crunchy Foods Ltd produces specialty pies and sells them to supermarkets and restaurants in Malta and Gozo. It has three production departments involved in the manufacture of their product: Processing, Cooking and Packing, and two service departments: Stores and Canteen. The Stores department provides storage of ready-made pies, raw ingredients and packing material. The Canteen provides food and beverages to the employees.

The budgeted overheads for the year ending 31 December 2023 were as follows:

	€	€
Indirect Material:		
Processing	40,000	
Cooking	25,000	
Packing	30,000	
Stores	10,000	
Canteen	1,000	106,000
Indirect Labour:		
Processing	35,000	
Cooking	25,000	
Packing	20,000	
Stores	25,000	
Canteen	15,000	120,000
Electricity		40,000
Insurance of premises		27,000
Rent of premises		45,000
Maintenance of machinery		24,000
Depreciation of machinery		10% per annum on cost

The following additional budgeted information was available:

	Processing	Cooking	Packing	Stores	Canteen
Floor area (square metres)	350	300	100	100	50
Electricity units (Kilowatt hour)	75,000	140,000	25,000	40,000	40,000
Cost of machinery (€)	180,000	220,000	50,000		
Maintenance hours	180	200	40		
Machine hours	12,015	5,500	2,250		
Direct labour hours	8,200	11,440	9,590		
Direct labour cost (€)	68,150	103,500	71,930		

Service department overheads are apportioned as follows:

	Processing	Cooking	Packing	Stores	Canteen
Canteen (%)	40	30	20	10	-
Stores (%)	50	35	15	-	-

Actual results for the year 2023 were:

	Processing	Cooking	Packing
Machine hours	12,100	7,500	2,500
Direct labour hours	9,000	10,750	3,200
Direct labour cost (€)	105,000	225,000	75,200
Actual overheads (€)	169,820	142,100	89,650

Required:

A. Allocate and apportion the production overheads to the production departments and determine the budgeted overhead recovery rates for the **THREE** production departments on the following basis:

Processing department – Machine hours
Cooking department – Direct labour hours
Packing department – Percentage of direct labour cost (13)

B. For the year 2023, calculate the under/over absorbed overheads for **each** production department. (6)

C. Briefly explain the reasons which led to the under/over absorption in **each** production department at Crunchy Foods Ltd. (6)

(Total: 25 marks)

8. Kura Limited manufactures and sells a medicinal product, the Balm. The draft report for Quarter 2 (April to June 2024) presented during the July 2024 board meeting showed a difference between the budgeted profit figure and the actual result. As the management accountant of the company, you have been requested by the board of directors to prepare a report outlining the reasons for this difference.

Budgeted data for the period April to June 2024:

Units produced and sold	19,200
Material per unit	10 kilograms at €0.50 per kg
Labour Costs per unit	2.8 hours at €7.40 per hour
Variable overhead – Total	€22,560
Fixed overhead – Total	€8,450
Machine Hours - Total	10,780 hours
Selling price per unit	€30.00

Actual results for the period April to June 2024:

Units produced and sold	19,800
Materials per unit	11 kilograms at €0.63 per kg
Labour Costs per unit	3.10 hours at €7.10 per hour
Variable overhead – Total	€23,660
Fixed overhead – Total	€8,400
Machine Hours – Total	11,240 hours
Selling price per unit	€32.00

Machine hours is the basis used to absorb variable and fixed overheads.

Required:

A. Calculate the company's actual and budgeted profit for the three-month period April to June 2024. (4)

B. Calculate the following variances for the period April to June 2024:
   i. The sales margin price variance and the sales margin volume variance; (2)
   ii. Total material variance analysed into price and usage variances; (3)
   iii. Total labour variance analysed into rate and efficiency variances; (3)
   iv. Total variable overhead variance analysed into expenditure and efficiency variances; and (3)
   v. Total fixed overhead variance analysed into expenditure and volume variances. (4)

C. Prepare a statement for the board of directors reconciling the budgeted profit with the actual profit. (2)

D. Briefly outline the role of variance analysis in management accounting. (4)

(Total: 25 marks)

Please turn the page.

9. Bellina Limited manufactures cosmetic products. One product is a long-lasting lipstick called Colourstay. Management is evaluating the inventory system in place for the primary raw material used in the manufacture of Colourstay, that is, the LIP.

As at 1 March 2024, the inventory of material LIP stood at 13,000 kgs costing €8,300. The following were the inventory movements during the month ended 31 March 2024:

Purchases	**Material LIP**	
	Kgs	**Cost - €**
6 March	32,200	24,400
14 March	16,000	11,840
26 March	10,400	8,440

Issues	**Material LIP**
	Kgs
4 March	8,400
8 March	11,600
18 March	14,100
22 March	11,300
28 March	10,400

The following information about the material LIP is available:

	Material LIP
Annual usage	600,000 kgs
Maximum usage per day	1,800 kgs
Minimum usage per day	1,400 kgs
Lead time	3-6 days
Cost of placing an order	€575
Holding cost per kg per annum	€8

Required:

A. Calculate the inventory value of LIP as at 31 March 2024, using the following perpetual methods of valuation:
   i) First In First Out (FIFO); and (5)
   ii) Weighted Average Cost (AVCO). (5)
   The inventory value per kg is to be calculated to the nearest 2 decimal places.

B. Calculate the following for material LIP:
   i) The economic order quantity; (3)
   ii) Re-order level; (3)
   iii) Maximum inventory level; and (3)
   iv) Minimum inventory level. (3)

C. Briefly outline **TWO** important benefits of inventory valuation. (3)

(Total: 25 marks)