

## I-23.01

MicroDecor produces stylish microwave ovens. Each unit sells for \$600. During 20X7, the company produced 22,000 units, and sold 20,000 units. Beginning inventory contained a total of 3,000 units. Production and SG&A costs have been stable for many years. Assume the per unit costs in beginning and ending inventory are identical. Per unit cost information follows:

Direct materials cost	\$ 150
Direct labor cost	100
Variable factory overhead	75
Variable SG&A	50

Annual fixed manufacturing overhead is \$242,000. Annual fixed SG&A totals \$1,450,000.

- Determine the number of units in ending inventory, and calculate the total carrying cost using both variable and absorption costing.
- Calculate 20X7 net income using variable costing.
- Calculate 20X7 net income using absorption costing.
- In practice, is it likely that per unit costs would be identical in beginning and ending inventory? Even if costs were stable, could the cost of beginning and ending inventory differ with absorption costing?