

28 What is a benefit of using absorption costing?

- A** It allows a business to calculate the break-even point for production.
- B** It allows a business to calculate the total cost of goods produced.
- C** It allows a business to show a lower value for year end inventory.
- D** It allows decision-making on utilising spare capacity by increasing production.

29 What will cause under-absorption of fixed production overheads?

- A** absorption of overheads is based on actual expenditure and actual activity
- B** actual expenditure on overheads is below budget expenditure
- C** actual activity is above budgeted activity
- D** actual activity is below budgeted activity and actual expenditure is as budgeted

30 A business provides the following data for the year.

budgeted output (units)	10 000
actual output (units)	8 000
	\$
budgeted fixed production costs	1 200 000
budgeted variable production costs	800 000
budgeted fixed selling overhead	600 000

What is the absorption cost per unit used for inventory valuation?

- A** \$200
- B** \$250
- C** \$260
- D** \$325