

**24** A manufacturing business uses direct labour hours to calculate its overhead absorption rate.

What are the causes for over-absorption of overhead?

- 1 More labour hours have been used than budgeted.
- 2 More products have been produced than budgeted.
- 3 More products have been sold than budgeted.

**A** 1, 2 and 3      **B** 1 and 2 only      **C** 1 and 3 only      **D** 2 and 3 only

**25** The following information is provided by a company for a month.

actual direct labour hours worked	4500
budgeted direct labour hours	5000
budgeted overhead expenditure	\$80 000
overheads under-absorbed	\$12 000

What is the amount of the actual overhead expenditure?

**A** \$60 000      **B** \$68 000      **C** \$72 000      **D** \$84 000

**26** What is the contribution to sales ratio used to calculate?

- A** break-even point
- B** overhead absorption rate
- C** profit for the period
- D** value of inventory

**27** The following information relates to the first year of operation of a business.

production (units)	5000
sales (units)	4000
unit selling price	\$10
variable production costs per unit	\$4
selling expense per unit	\$1
total fixed manufacturing overhead	\$13 000

What is the value of gross profit if the business uses absorption costing to value its inventory?

**A** \$7000      **B** \$11 000      **C** \$13 600      **D** \$20 000