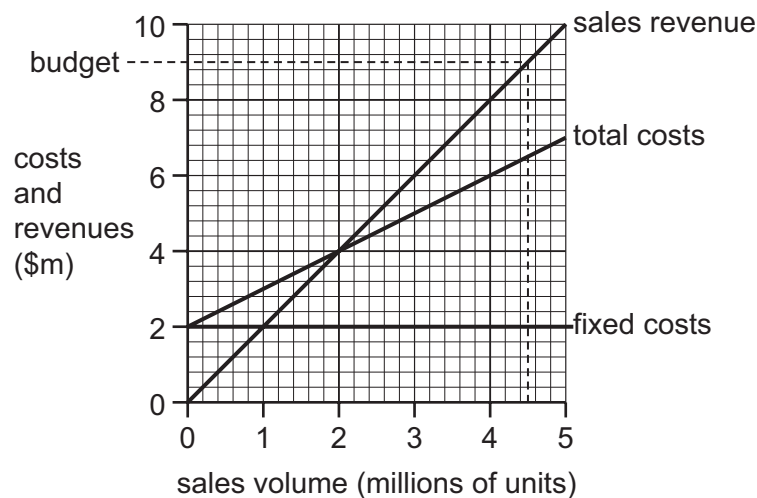


**27** Which statements about absorption costing are correct?

- 1 It apportions overheads between production and service departments.
- 2 It enables a company to know its break-even level of production.
- 3 It leads to higher inventory valuations than marginal costing.
- 4 It is used by management for make or buy decisions.

**A** 1, 2 and 3      **B** 1 and 3 only      **C** 2 and 4 only      **D** 3 and 4 only

**28** An accountant prepared the following break-even chart.



The budgeted sales volume is 4.5 million units.

Which profit can be anticipated at this level?

**A** \$2.5 million      **B** \$4.5 million      **C** \$7 million      **D** \$9 million

**29** Which statement best describes job costing?

- A** a costing method that calculates the cost of meeting a specific customer order
- B** a costing method that calculates the cost of producing a number of identical units for a customer
- C** a costing method that enables overheads to be absorbed into the cost of the product
- D** a costing method that separates fixed costs from variable costs

**30** Which item would appear in a cash budget?