

- 25** A business absorbs its fixed overheads using direct labour hours.

The following information is provided.

|              | actual    | budgeted  |
|--------------|-----------|-----------|
| overheads    | \$600 000 | \$508 000 |
| labour hours | 14 300    | 12 700    |

Which statement is correct?

- A** Overheads were over absorbed by \$28 000.  
**B** Overheads were under absorbed by \$28 000.  
**C** Overheads were over absorbed by \$92 000.  
**D** Overheads were under absorbed by \$92 000.
- 26** A company sells a single product for \$24 per unit.  
The variable cost is \$8 per unit.  
Fixed costs have been absorbed based on a normal activity level of 1000 units at \$6 per unit.  
What is the profit under marginal costing if the company makes and sells 1250 units?
- A** \$10 000      **B** \$12 500      **C** \$14 000      **D** \$20 000
- 27** A product has the following revenue and costs per unit.

|                              | \$ |
|------------------------------|----|
| selling price                | 40 |
| marginal cost                | 22 |
| fixed manufacturing overhead | 6  |
| non-manufacturing overhead   | 2  |

What is the contribution to sales ratio?

- A** 25%      **B** 30%      **C** 45%      **D** 55%
- 28** Which statements about cost–volume–profit analysis are correct?
- 1 It applies over any time period.
  - 2 It is suitable for any range of output.
  - 3 Profits are calculated using marginal costing.
- A** 1 and 3      **B** 1 only      **C** 2 and 3      **D** 3 only