26 A manufacturer has the following overheads for two different levels of production.

total overheads $	production units
400 000	40 000
432 000	60 000

What is the total fixed overhead cost?

A $32 000 **B** $96 000 **C** $336 000 **D** $432 000

27 A business makes and sells four products.

Which product should be produced first when labour hours are **not** sufficient to produce all four products?

	selling price $	variable costs $	labour hours $
A	10	15	1
B	35	10	5
C	50	30	2
D	75	57	3

28 Why is cost–volume–profit analysis used by management?

1 for planning purposes

2 to calculate over or under absorbed overheads

3 to determine actual profit

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

29 A business has a margin of safety of $10 000.

What does this mean?

A It will break even if profit is reduced by $10 000.

B It will break even if sales revenue is reduced by $10 000.

C It will make a loss if sales revenue is reduced by $10 000.

D It will make a profit of $10 000.