

- 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