

28 A company provides the following information.

	department X	department Y
budgeted overheads	\$150 000	\$210 000
budgeted direct labour hours	2000	10 000
budgeted machine hours	8000	1000

What is the most appropriate overhead absorption rate for each department?

	department X	department Y
A	\$18.75 per machine hour	\$21 per direct labour hour
B	\$75 per direct labour hour	\$210 per machine hour
C	\$18.75 per machine hour	\$210 per machine hour
D	\$75 per direct labour hour	\$21 per direct labour hour

29 A company makes and sells a single type of product. The following budgeted information is available.

selling price	\$10 per unit
sales volume	10 000 units
variable costs	\$5 per unit
fixed costs	\$25 000

The sales director has recommended a 20% reduction in the selling price of the product.

Variable costs will reduce to \$4 per unit.

The sales volume would be expected to increase by 5%.

What will be the new budgeted profit?

A \$15 000 **B** \$17 000 **C** \$20 000 **D** \$27 500

30 How is contribution calculated?

- A** sales revenue – absorption cost
- B** sales revenue – fixed cost