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