

- 25** Justine is an accountant and charges her clients a fee at an hourly rate plus overheads. She adds a mark-up of 20%.

The following budgeted information is available.

| | |
|---|----------|
| annual hours worked | 1610 |
| annual overhead expenditure | \$56 350 |
| direct labour rate per hour | \$45 |
| extra charge if job is greater than 15 hours | \$200 |
| overheads are charged on a direct labour hour basis | |

How much will Justine charge a client for a job which takes 20 hours to complete?

- A** \$1920 **B** \$2000 **C** \$2160 **D** \$2250
- 26** Which statement describes the purpose of overhead apportionment?
- A** to assign specific costs to production departments
B to assign specific costs to service departments
C to share common costs to production departments
D to share common costs to service departments
- 27** A business has two production departments: machining and assembly. The budgeted direct labour hours for each department are:

machining 4000
assembly 16 000.

The business has calculated overhead absorption rates as:

machining \$12 per direct machining hour
assembly \$7.70 per direct labour hour.

Insurance of \$4800 relating to the assembly department was incorrectly omitted when making the calculations.

What is the correct overhead absorption rate for the assembly department?

- A** \$6.40 **B** \$7.94 **C** \$8.00 **D** \$8.80