

23 A production centre uses 20 000 machine hours and 17 000 labour hours each month.

Which formula is used to calculate the overhead absorption rate?

- A** $\frac{\text{total machine hours}}{\text{total overhead cost}}$
- B** $\frac{\text{total overhead cost}}{\text{total labour hours}}$
- C** $\frac{\text{total overhead cost}}{\text{total (labour hours + machine hours)} \div 2}$
- D** $\frac{\text{total overhead cost}}{\text{total machine hours}}$

24 The following information is available.

	budget	actual
overheads	\$60 000	\$66 000
direct labour	30 000 hours	35 000 hours

The overhead absorption rate is based on direct labour hours.

What is the amount of overhead over-absorbed or under-absorbed?

- A** \$4000 over
- B** \$4000 under
- C** \$6000 over
- D** \$6000 under

25 A particular cost is classified as 'semi-variable'.

What effect will a 20% reduction in activity have on the unit cost?

- A** decrease by 20%
- B** decrease by less than 20%
- C** increase by 20%
- D** increase by less than 20%