

- 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