

24 How might an under-absorption of overheads arise?

- 1 Overheads have been over-budgeted.
- 2 Overheads have been under-budgeted.
- 3 Production was less than budgeted.
- 4 Production was more than budgeted.

A 1 and 3 **B** 1 and 4 **C** 2 and 3 **D** 2 and 4

25 Which statements explain why it is important for a business to know the contribution per unit for its production?

- 1 It helps in assessing the impact of a change in sales volume.
- 2 It helps in deciding whether to make or buy a product.
- 3 It helps in making long-term decisions.

A 1 and 2 **B** 2 only **C** 2 and 3 **D** 3 only

26 The following information is available for a month.

	\$
sales revenue	150 000
direct materials	45 000
direct labour	28 000
variable overheads	7 000
fixed overheads	21 000

What is the contribution to sales ratio?

A 32.67% **B** 46.67% **C** 48.67% **D** 53.33%

27 A company had the following results.

	\$
sales revenue	230 000
variable costs	92 000
fixed costs	60 000
profit	78 000

What was its margin of safety in dollars?

A \$100 000 **B** \$130 000 **C** \$138 000 **D** \$170 000