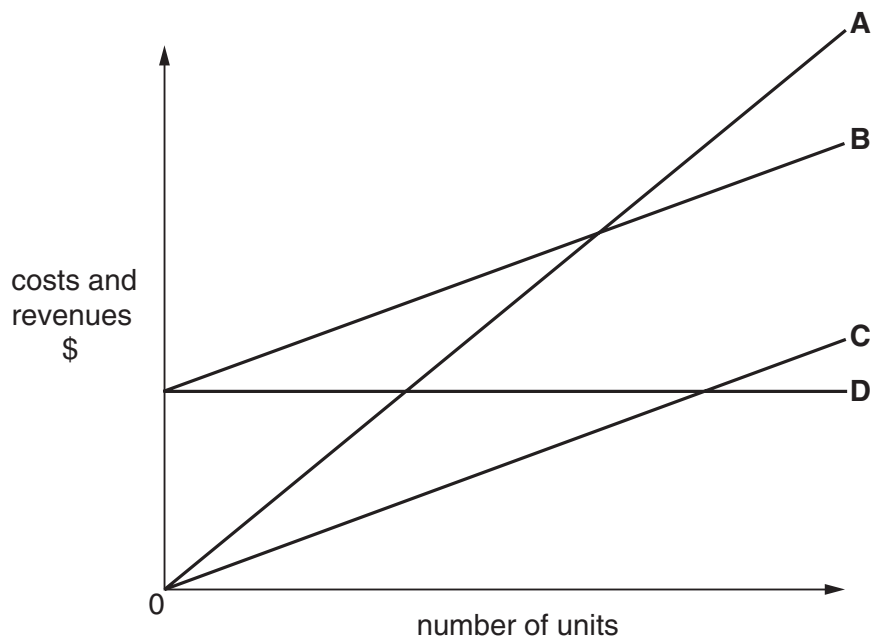


26 Which of the following is a benefit of absorption costing?

- A** It allows a business to calculate the break-even point for production.
- B** It allows a business to calculate the total cost of goods produced.
- C** It allows a business to calculate the profit to be made on a product.
- D** It allows decision making on utilising spare capacity by increasing production.

27 The diagram shows costs and revenues of a business.

Which line represents total cost?



28 Which of the following are major assumptions in profit/volume (p/v) analysis?

- 1 Variable cost per unit fluctuates with the volume of activity.
- 2 Costs can be identified as either variable or fixed.
- 3 Fixed cost per unit is constant as activity rises.
- 4 Volume of activity is the only factor that affects revenue and costs.

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