

- 25** A company absorbs overheads on machine hours which are budgeted at 11 250. The budgeted overhead is \$281 250.

Results show actual hours of 10 980 and overhead of \$276 652.

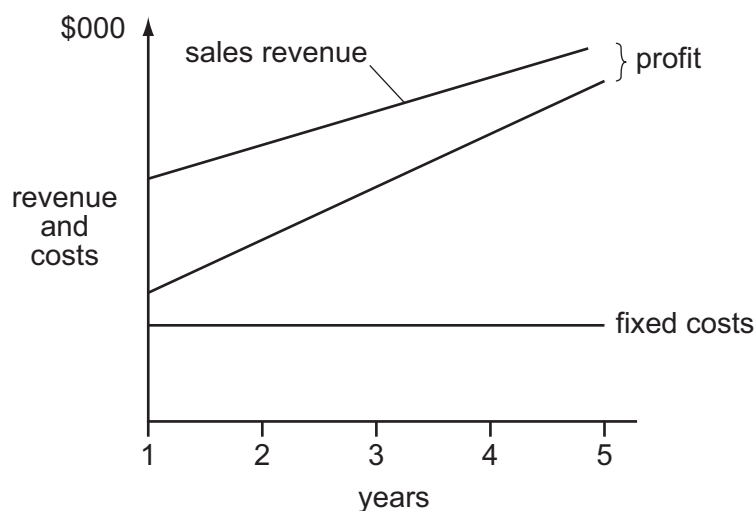
What is the under/over-absorption?

- A** overhead over-absorbed by \$2152
 - B** overhead over-absorbed by \$4598
 - C** overhead under-absorbed by \$2152
 - D** overhead under-absorbed by \$4598
- 26** A company uses absorption costing and makes and sells one product. In the last month budgeted overheads totalled \$60 000. Budgeted production was 15 000 units and budgeted sales were 14 000 units.

The company now decides to apply marginal costing principles for the last month.

Which effect will this have on profits?

- A** \$3500 decrease
 - B** \$4000 decrease
 - C** \$4000 increase
 - D** no effect
- 27** What does the diagram show about costs?



- A** Fixed costs are increasing.
- B** Total costs as a percentage of sales are decreasing.
- C** Variable costs per unit are decreasing.
- D** Variable costs per unit are increasing.