

24 Why might absorption costing be used?

- 1 to calculate contribution
- 2 to decide whether or not to accept a special order
- 3 to make long-term decisions
- 4 to set the selling price of a product

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

25 The following information is available for a business.

	fixed overheads \$	hours
budget	180 000	10 000
actual	190 000	11 000

What was the over-absorption or under-absorption of fixed overheads?

- A** \$8000 over
- B** \$8000 under
- C** \$10 000 over
- D** \$10 000 under

26 A business plans to sell all the 10 000 units produced next year at the same price as this year.

Direct costs are forecast to decrease by \$2 per unit and total fixed costs will increase by \$40 000.

What will be the effect of this?

	total cost	break-even point
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase