

29 Which statements about cost–volume–profit analysis are correct?

- 1 Fixed costs remain constant over a range of activity.
- 2 Profits are calculated on an absorption costing basis.
- 3 Sales revenue increases in direct proportion to output.
- 4 There is only one product or constant sales mix.

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

30 Why do businesses prepare budgets?

- 1 to communicate plans
- 2 to improve coordination
- 3 to plan annual operations
- 4 to plan long-term strategies

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