

**25** What is an advantage of absorption costing?

- A** It helps to determine a product's selling price.
- B** It is used to improve operational efficiency.
- C** It makes it easy to analyse costs at different production levels.
- D** It takes into account only variable costs.

**26** The following information is forecast for the next month.

opening inventory	20 300 units
closing inventory	22 500 units
marginal cost profit	\$90 600
absorption cost profit	\$100 400

What is the overhead absorption rate per unit?

- A** \$4.03                      **B** \$4.45                      **C** \$4.46                      **D** \$4.95

**27** X Limited has budgeted monthly overheads of \$125 000. Its overhead absorption rate is \$5 per machine hour. In July there was an under-absorption of overheads of \$1000.

Which changes from budgeted data caused this to happen?

	overheads	machine hours
<b>A</b>	\$500 higher	100 hours less
<b>B</b>	\$500 lower	100 hours more
<b>C</b>	\$750 higher	50 hours more
<b>D</b>	\$750 lower	50 hours less

**28** Which changes result in a decrease in the margin of safety?

	unit variable cost	total fixed costs
<b>A</b>	decrease	decrease
<b>B</b>	decrease	increase
<b>C</b>	increase	decrease
<b>D</b>	increase	increase