

- 28** 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 last month.

What effect will this have on profits?

- A** \$3500 decrease
- B** \$3500 increase
- C** \$4000 decrease
- D** \$4000 increase

- 29** A business has recorded the following total costs for the last two months.

	units produced	total costs (\$)
month 1	8 000	31 800
month 2	10 000	36 700

What was the total fixed cost per month?

- A** \$2440      **B** \$4900      **C** \$7340      **D** \$12 200

- 30** A company has recently introduced a system of budgetary control.

Workers have given the following reasons for materials costs being more than budgeted.

- 1 Budgeted material costs are incorrect.
- 2 Production machinery is outdated and wastes materials.
- 3 The company should purchase better quality materials to reduce wastage.

Which reasons will cause actual material costs to be different from the budgeted costs?

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