

- 26** A business produces and sells watches. In 2015, 4000 watches were produced and 3600 watches were sold. Other information for the year included the following:

	\$ per unit
direct materials	60
direct labour	80
variable selling expenses	15
fixed manufacturing overheads	45
fixed administrative costs	50

What is the cost of goods sold for 2015 if the business uses absorption costing?

- A** \$558 000      **B** \$666 000      **C** \$720 000      **D** \$740 000

- 27** Which items are included in the marginal cost of a unit of production?

- A** direct labour, direct materials, fixed production costs and variable production overheads  
**B** direct labour, direct materials, fixed costs and variable production overheads  
**C** direct labour, direct materials and variable production overheads only  
**D** direct labour and direct materials only

- 28** Which statements about cost-volume-profit analysis are correct?

- 1 Profits are calculated on an absorption costing basis.
- 2 Profits are calculated on a marginal costing basis.
- 3 It only applies where there is a constant sales mix.
- 4 It only applies where there is a changing sales mix.

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