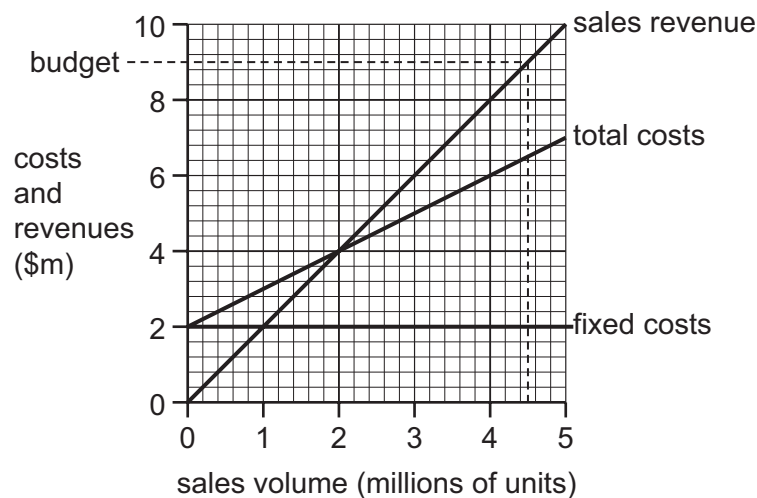


27 Which statements about absorption costing are correct?

- 1 It apportions overheads between production and service departments.
- 2 It enables a company to know its break-even level of production.
- 3 It leads to higher inventory valuations than marginal costing.
- 4 It is used by management for make or buy decisions.

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

28 An accountant prepared the following break-even chart.



The budgeted sales volume is 4.5 million units.

Which profit can be anticipated at this level?

A \$2.5 million **B** \$4.5 million **C** \$7 million **D** \$9 million

29 Which statement best describes job costing?

- A** a costing method that calculates the cost of meeting a specific customer order
- B** a costing method that calculates the cost of producing a number of identical units for a customer
- C** a costing method that enables overheads to be absorbed into the cost of the product
- D** a costing method that separates fixed costs from variable costs

30 Which item would appear in a cash budget?