

**20** Which ratio indicates how efficiently a company controls its overheads?

- A** current ratio
- B** gross margin
- C** profit margin
- D** trade receivables turnover

**21** A company produces the following information.

|                               |         |
|-------------------------------|---------|
| profit from operations        | 98 000  |
| profit for the year           | 91 000  |
| equity at the end of the year | 500 000 |
| long-term bank loan           | 150 000 |

What is the return on capital employed?

- A** 14%                      **B** 15.08%                      **C** 18.2%                      **D** 19.6%

**22** A business provided the following information.

|                              |               |
|------------------------------|---------------|
| budgeted overheads           | \$20 000      |
| budgeted direct labour hours | 2000          |
| direct labour rate           | \$20 per hour |

A job used materials costing \$45 and 6 hours of direct labour.

Overheads are charged on the basis of direct labour hours used.

What was the cost of the job before adding any profit?

- A** \$165                      **B** \$175                      **C** \$180                      **D** \$225

**23** What is a reason for overhead absorption in a manufacturing business?

- A** to control overhead expenditure
- B** to determine the net realisable value of inventory
- C** to enable overheads to be apportioned to cost centres
- D** to establish costs per unit of product