

24 Which statement **best** describes a stepped fixed cost?

- A** It changes in direct proportion to changes in output.
- B** It changes in proportion to changes in prime cost.
- C** It remains at a constant amount until output changes significantly.
- D** It represents a constant amount of total cost.

25 A company produces less than it sells in a particular period.

Which statement is correct?

- A** Reported profit is the same whether absorption or marginal costing is used.
- B** Reported profit is the difference between absorption and marginal costing closing inventories.
- C** Reported profit is lower using absorption costing.
- D** Reported profit is lower using marginal costing.

26 Which statements are true about the preparation of a break-even chart?

- 1 Costs are easily classified into fixed and variable.
- 2 Fixed costs always change as output changes.
- 3 The break-even point is clearly seen.

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

27 When a company had sales revenue of \$600 000, its variable costs were \$300 000.

At the break-even point, its sales were \$400 000.

How much profit did it make when sales were \$600 000?

- A** \$100 000 **B** \$200 000 **C** \$300 000 **D** \$400 000

28 A company provided the following information.

total sales	\$400 000
production and sales (units)	10 000
total costs	\$250 000
total fixed costs	\$60 000

What was the contribution to sales ratio?

- A** 37.5% **B** 47.5% **C** 52.5% **D** 62.5%