

24 P Limited makes wooden chairs at a unit cost of \$70 each.

It has received an order to produce a batch of 1000 wooden chairs with padded seats. This requires \$6000 of additional materials, an extra 500 labour hours at \$15 per hour and a \$2000 increase in overheads.

What is the cost of the batch?

- A** \$13 500 **B** \$15 500 **C** \$83 500 **D** \$85 500

25 Why would overheads be over absorbed?

- A** Overheads absorbed is less than overheads budgeted.
- B** Overheads absorbed is more than overheads budgeted.
- C** Overheads incurred is less than overheads absorbed.
- D** Overheads incurred is more than overheads absorbed.

26 A company makes one product with a selling price of \$384 per unit. The costs are as follows:

	per unit
direct materials	4 kilos at \$8 per kilo
direct labour	8 hours at \$12 per hour
selling and distribution	\$40

The mark-up is 50%.

What is the factory overhead absorption rate per labour hour?

- A** \$3 **B** \$5 **C** \$11 **D** \$22

27 Which statements about marginal costing are correct?

- 1 It enables a business to make the best use of its resources when there is a limiting factor.
- 2 It ensures that decisions taken are based upon the total cost of producing a product.
- 3 It takes into account apportionment of service costs to production cost centres.
- 4 It usually leads to a lower inventory valuation than absorption costing.

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