

22 Which statement best describes a sunk cost?

- A** a cost which is irrelevant for the future
- B** a cost which must be matched against the revenue
- C** a cost which remains the same at all levels of production
- D** a cost which varies with the level of production

23 A business has the following costs.

raw materials \$3 per unit

direct labour \$2 per unit

stepped costs of \$5000 for every 10 000 units

What is the cost of producing 15 000 units?

- A** \$75 000 **B** \$82 500 **C** \$85 000 **D** \$105 000

24 Which statement best describes fixed costs?

- A** costs that are constant in total over a range of output.
- B** costs that are the same in total over any output level.
- C** costs that are constant per unit as output increases.
- D** costs that are the same as stepped costs.

25 Ehsen Nadeen manufactures one product, the miji. Each miji has a selling price of \$10 and variable costs of \$8 and annual fixed costs total \$12 000. Ehsen wishes to make a profit of \$14 000 a year.

How many mijis should Ehsen make each year?

- A** 2600 **B** 6000 **C** 7000 **D** 13 000

26 Which costing method is most suitable for fixing a selling price and which for deciding whether to make or buy in a product?

| | fixing of selling price | decision to make or buy in a product |
|----------|-------------------------|--------------------------------------|
| A | absorption costing | absorption costing |
| B | absorption costing | marginal costing |
| C | marginal costing | absorption costing |
| D | marginal costing | marginal costing |