

**26** What would cause overheads to be under absorbed?

- A** Overhead absorbed is greater than overhead budgeted.
- B** Overhead absorbed is less than overhead budgeted.
- C** Overhead incurred is greater than overhead absorbed.
- D** Overhead incurred is less than overhead absorbed.

**27** A business produces two types of product, P and Q, for the month of January. Overheads are absorbed using direct labour hours. The production details are as follows:

	P	Q
units manufactured and sold	5000	2000
direct labour hours per unit	1.5	1

Direct costs for the month were \$23 750.

The fixed overheads were \$6500.

What was the overhead absorption rate per hour?

- A** \$0.68                      **B** \$2.50                      **C** \$3.18                      **D** \$3.39

**28** Which statements about marginal costing are correct?

- 1 Contribution is the difference between sales revenue and total production costs.
- 2 Costs are classified as variable costs or fixed costs only.
- 3 Variable costs include variable selling expenses.

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