

**26** A manufacturer has the following overheads for two different levels of production.

| total overheads<br>\$ | production<br>units |
|-----------------------|---------------------|
| 400 000               | 40 000              |
| 432 000               | 60 000              |

What is the total fixed overhead cost?

- A** \$32 000      **B** \$96 000      **C** \$336 000      **D** \$432 000

**27** A business makes and sells four products.

Which product should be produced first when labour hours are **not** sufficient to produce all four products?

|          | selling price<br>\$ | variable costs<br>\$ | labour hours<br>\$ |
|----------|---------------------|----------------------|--------------------|
| <b>A</b> | 10                  | 15                   | 1                  |
| <b>B</b> | 35                  | 10                   | 5                  |
| <b>C</b> | 50                  | 30                   | 2                  |
| <b>D</b> | 75                  | 57                   | 3                  |

**28** Why is cost–volume–profit analysis used by management?

- 1 for planning purposes
- 2 to calculate over or under absorbed overheads
- 3 to determine actual profit

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

**29** A business has a margin of safety of \$10 000.

What does this mean?

- A** It will break even if profit is reduced by \$10 000.  
**B** It will break even if sales revenue is reduced by \$10 000.  
**C** It will make a loss if sales revenue is reduced by \$10 000.  
**D** It will make a profit of \$10 000.