**28** Which assumption of cost–volume–profit analysis is **not** correct?

**A** Costs can easily be divided into variable and fixed.

**B** Total fixed costs remain the same within the relevant range.

**C** Units produced and sold are equal.

**D** Unit selling price is constant.

**29** A business manufactures four products: **A**, **B**, **C** and **D**. Information relating to these products is shown.

In the coming month, labour hours available for production are limited and only one product can be produced.

Which product should be produced in order to maximise the profit?

| | unit selling price<br>$ | contribution per unit<br>$ | labour hours per unit | overhead absorption rate per labour hour<br>$ |
|---|---|---|---|---|
| **A** | 45 | 18 | 9 | 2.5 |
| **B** | 50 | 16 | 4 | 3.2 |
| **C** | 40 | 9 | 1.5 | 1.2 |
| **D** | 36 | 15 | 2 | 1.8 |

**30** Why might a business use budgets?

1 to determine the level of demand for its product

2 to have a benchmark against which to assess actual performance

3 to know how much raw material suppliers will be able to supply

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