

**26** A business incurs the following costs.

- 1 direct material and direct labour costs
- 2 indirect factory production overheads
- 3 administrative expenses
- 4 distribution costs

Which costs are included in the cost per unit using absorption costing?

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

**27** A company absorbs overheads using machine hours. The following information is available.

|          | overheads | machine hours |
|----------|-----------|---------------|
| budgeted | \$200 000 | 40 000 hours  |
| actual   | \$240 000 | 60 000 hours  |

What was the over or under absorption of overheads?

- A** \$40 000 over  
**B** \$40 000 under  
**C** \$60 000 over  
**D** \$60 000 under

**28** How is margin of safety calculated?

- A** actual sales minus break-even sales  
**B** actual sales minus budgeted sales  
**C** actual sales minus cost of sales  
**D** budgeted sales minus cost of sales

**29** A company incurs total costs of \$2200 for producing 100 units and \$4600 for 300 units. The selling price per unit is \$20.

What is the total profit or loss at a production level of 200 units?

- A** \$400 loss  
**B** \$600 profit  
**C** \$933 profit  
**D** \$1600 profit