CRAWFORD UNIVERSITY

FAITH CITY, IGBESA, OGUN STATE.

COLLEGE OF BUSINESS AND SOCIAL SCIENCES

DEPARTMENT OF ACCOUNTING AND FINANCE

2014/2015 RAIN SEMESTER EXAMINATION

COURSE CODE/TITLE: ACC 306 - MANAGEMENT ACCOUNTING II

TIME ALLOWED: 2 ½ HOURS

INSTRUCTIONS: Answer all the questions in Section A and three (3) questions in Section B.

SECTION A

1. Material price variance is the difference between ..... and .....
2. Labour usage variance is the difference between ..... and .....
3. Fixed overhead capacity variance is the difference between ..... and .....
4. Sales margin volume variance is the difference between ..... and.....
5. Are variable production overhead variances based on hours paid or hours worked?
6. The minimax regret decision rule means choosing the alternative that ..... the... .....
7. The minimin decision rule means choosing the alternative that .....the.....
8. If closing inventories of raw materials are valued at standard cost, the materials price variance is calculated on material purchases in the period.

   Yes ☐ No ☐
9. Idle time variance is always a favourable variance. (a) True (b) False
10. Who is a risk taker?

(10 marks)

SECTION B

Question 1

Gbosaah Nigeria Ltd is an ordinance supplier to the Nigerian Army. It produces a dynamite.

To produce the dynamite, it uses two materials: Gbo and Saah both in continous process for which standard and actual quantities in March 2015 were as follows:

	Standard		Actual	
	Quantity	Price per Kg	Quantity	Price per Kg
	Kg	₦	Kg	]₦
Gbo	40,000	2.50	34,000	2.50
Saah	20,000	4.00	22,000	4.00

Losses occur at even rate during the processing operation and are expected to be 10% of material input. Actual output during the month was 53,000 kilo grams.

Required:

Calculate all relevant material variances. **(20 marks)**

Question 2

(a) Victor, the Accountant is the MD/CEO of Christ the Redeemer Ltd and is faced with the decision to choose one of two mutually exclusive projects: A and B.

The probable outcomes of each option are as follows:

OPTION A		OPTION B	
Probability	Cost	Probability	Cost
0.29	15,000	0.03	14,000
0.54	20,000	0.30	17,000
0.17	30,000	0.35	21,000
		0.32	24,000

Both options will produce an income of ₦30,000.

Required:

Advise Victor the Accountant **(20 marks)**

(b) A raw material Zeta, is used in the production of Alpha and extract from the standard cost card for Alpha showing the rate of usage and expected price is as follows:

ALPHA STANDARD COST CARD (EXTRACT)

Materials per unit: 10 kilograms of Zeta at ₦6 per kilogram.

During the current period, 270 units of Alpha were produced and the usage was 2,850 kilograms with an actual material cost of ₦16,530. Due to world wide price per movement Zeta was freely available at ₦5.50 per kilogram during the period.

Required:

(i) The traditional variances
(ii) The planning and operating variances **(20 marks)**

Question.3

The budget demand for a product will be 11,500 units if the price is N10. 8,500 units if the price is N12 and 5,000 units if the price is N14. Variable costs are estimates at either N4, N5 or N6 per unit. A decision needs to be made on the price to be charged.

Required:

(a) Prepare a contribution table showing the budgeted contribution of each of the possible outcome.
(b) Determine the price to be charged using
  i) Maximum regret rule
  ii) Maximax regret rule
  iii) Minimax regret rule

Question 4

Afbell Nigeria Ltd produced and sells me product "the Faafin". The standard cost for one unit being shown below as follows:

	₦
Direct Materials: 10 kilograms at N20 per kilogram	200

Direct wages: 5 hours at N6 per hour	30
Fixed production overhead	50

The fixed overhead included in the standard cost is based on an expected monthly output of 900 units. Fixed production overhead is absorbed on the basis of direct labour homes.

During June 2015, the actual results were as follows:

Production	8,000 units
Materials:	7,800 kilograms costing N159,900
Direct wages:	4,200 hours worked for N24,150
Fixed production overhead	N47,000

Required:

Compute all relevant variances **(20 marks)**