

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 204 – COST ACCOUNTING II

TIME ALLOWED: 2 ½ HOURS

INSTRUCTIONS: Attempt any four (4) questions

Question 1

Motiriri Ltd produces an item which is manufactured in two consecutive processes. Information relating to process 2 during May 2015 is as follows:

Opening inventory 1,600 units

	Degree of completion	Cost
	%	N
Process 1 materials	100	9,400
Added materials	40	1,200
Labour	30	1,000
Production overhead	-	1,000

During May 2015, 6,000 units were transferred from process 1 at a valuation of N36,200. Added materials cost N19,200 and labour costs N11,800 and N11,800 for production overhead. Closing inventory at 31st May, 2015 2,000 units.

	Degree of completion
	%
Process 1 materials	100
Added materials	60
Labour	40
Production overhead	40

Required: Prepare the process 2 account for May 2015 using the weighted average method
(17 ½ marks)

Question 2

- (a) What are the assumptions underlying the use of marginal costing technique?
 (b) Motungbede Ltd manufactures products Z to which the following information relates:

	Products	X	Y	Z
		N	N	N
Selling price per unit		16	20	10
Variable cost per unit		6	15	7
		Units	Units	Units
Budgeted sales volume		50,000	10,000	100,000

The company expected the fixed cost to be N450,000 for the coming year. Assume that sales rises throughout the year in a constant mix.

Required:

- Calculate the weighted average contribution to sales ratio or contribution margin ratio for the products.
- Calculate the sales revenue required at the breakeven point.
- Calculate the amount of sales required to generate a profit of N600,000 (17 ½ marks)

Question 3

- What are the advantages of marginal costing over absorption costing?
- Echo Nomic Ltd has a budgeted overhead of N80,000 and budgeted direct labour hours of 40,000 hours.

Required:

- Compute the overhead absorption rate
- If the workers of the company worked 50,000 direct labour hours in the period, what is over/under absorption of overhead? (17 ½ marks)

Question 4

(a) Raymond and Ilerioluwa Associates Ltd provides you with the following information:

EXTRACTS FROM THE STANDARD COST CARD

Variable overheads

Bonding: 24 hours @ N150 per hour

Finishing: 15 hours @ N1.00 per hour

ACTUAL RESULTS FOR PRODUCTION IN RESPECT OF VARIABLE OVERHEADS

Production: 1,600 units produced

Bonding: 23,900 hours

Finishing: 15,500 hours

ACTUAL TOTAL COSTS

Bonding: N38,240

Finishing: N14,900

Required:

Compute all relevant variable overhead variances.

(b) Lynda and Ruth Associates Ltd produces a single product. Fixed overheads are budgeting at N12,000 and budgeted output is N1,000 units. Actual results.

Output: 1,100 units

Overhead incurred: 13,000

Required:

Calculate all relevant fixed overhead variances

(17 ½ marks)

Question 5

(a) What are the likely causes of material and labour variances?

(b) The standard cost card of product X is as follows:

Materials: 10 kilograms of materials at N10 per kilogram

Labour: 2 hours to produce a unit at N5 per hour

Actual results for the period:

Materials: 1000 units produced using 11,700 kilograms at a cost N98,600

Labour: 1000 units produced using 2,300 hours at a cost of N8,900.

Required:

Compute all relevant materials and labour variances.

(17 ½ marks)