



AIR FORCE INSTITUTE OF TECHNOLOGY  
FACULTY OF SOCIAL AND MANAGEMENT SCIENCES  
DEPARTMENT OF ACCOUNTING  
SECOND SEMESTER EXAMINATION 2020/2021  
BACHELOR OF SCIENCE ACCOUNTING

Course Title: MANAGEMENT ACCOUNTING II  
Course Code: ACC 304  
Credit Unit: 2 Units  
Duration: 2 1/2 Hours  
Date: 18<sup>th</sup> January, 2022

Instructions:

1. Attempt question number one (1) and any other three (3)
2. Present all your points in coherent and orderly manner.

**QUESTION 1**

TERAMAC Nigeria Limited uses a standard cost system. Standard costs for product Y are as follows:

Material	4kg @ N6 per kg
Labour	2hour @ N10 per hour
Variable overhead	2hour @ N6 per hour

In march 2021, 50,000kg of materials were purchased for N149,500 and 41,500kg of materials were used to produced 20,000 units of product Y.

Direct labour costs incurred were N99,792 (20,160 hours) and variable overhead costs incurred were N69,552.

You're required to calculate:

- i. Material Price Variance (MVP)
- ii. Material Quantity (Usage) Variance (MQV)
- iii. Labour Rate Variance (LRV)
- iv. Labour Efficiency Variance (LEV)
- v. Variable overhead Spending (Volume) Variance (VOSV)
- vi. Variable Overhead Efficiency Variance (VOEV)

**(Hint: compute material price variance at the point of purchase) (25 Marks)**

**QUESTION 2**

Merry Christmas Ltd. Budget for a production of 150,000 units. The variable costs per unit is N14 and fixed cost is N2 per unit. The company fixes the selling price to fetch a profit of 15% on cost. You are required to:

- i. Determine the breakeven point in units and naira sales
- ii. Determine the profit/volume ratio
- iii. If the selling price is reduced by 5%, determine how the revised selling price affects the breakeven point and the profit/volume ratio

- iv. If profit increase of 10% is desired more than the budget, compute the sales and sales value at the reduced price. (15 Marks)

### QUESTION 3:

The following data relates to the operations of JT Ltd for the year ended 31/12/2021.

Inventory of finished goods at the beginning:

- Units produced is 600,000 units
- Units sold is 500,000
- Selling price per unit is N60
- Direct material cost N9,000,000
- Direct labour cost N3,000,000
- Variable factory overhead N7,500,000
- Fixed factory overhead N12,000,000
- Fixed selling and administrative expenses N2,750,000

**Note:** Beginning inventory of raw materials was the same as ending inventory. This was also the case with Work-In-Progress.

You are required to prepare an income statement showing profit or loss using absorption costing and marginal costing. (15 Marks)

### QUESTION 4

Write short note on the following terms

- i. Kaizen Costing
- ii. Backflush Costing
- iii. Life Cycle Costing
- iv. Computer Assisted Costing Techniques
- v. Advance Manufacturing Techniques. (15 Marks)

### QUESTION 5

What are the characteristics of a good performance measure? Give reason for overhead differences. 15 Marks.

2500  
+  
14500  
17000