



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91 Cadastral Zone NnamdiAzikiwe Express Way, Jabi-Abuja
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2020_2 EXAMINATION

COURSE CODE: ACC313 **CREDIT UNIT: 3**
COURSE TITLE: MANAGEMENT ACCOUNTING
TIME ALLOWED: 2^{1/2}HOURS

Instructions:

- 1. Attempt question number one (1) and any other three (3).**
 - 2. Question number 1 is compulsory and carries 25 marks while the other 3 questions carry 15 marks each. Present all your points in coherent and orderly manner.**
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QUESTION 1

The standard unit cost for producing a printer in **Adijetu Company Limited** is as follows:

	N
Direct Material	1.50
Direct Labour	1.40
Variable overhead	1.60
Fixed overheads	<u>3.00</u>
Total	<u>7.50</u>

250,000 units of product should be manufactured at normal operating capacity.

Production for the year 2018 250,000 units

Sales for the same period (2018) 150,000 units

Production for the year 2019 200,000 units

Sales for 2019 200,000 units

Each printer is sold for N20 in both years. Opening cost for 2018 is 30,000 units. Variable and selling expenses amount to N1 per unit and fixed selling and administrative expenses amount to N50,000 a year. Income tax is at 30% of net income before taxes.

Required:

Prepare income statement for the two years using absorption costing method.

(25 marks)

QUESTION 2

Ojonukpe Company Limited produces and sells a single product. The product sells at N25 per unit. The profit and loss statement for 31st December 2019 is as follows:

	N	N
Sales		800,000
Direct material	100,000	
Direct wages	110,000	
Variable Production overhead	70,000	
Fixed production overhead	80,000	
Selling and distribution expenses (FC)	60,000	
Administrative expenses (FC)	<u>50,000</u>	<u>470,000</u>
Net profit before tax		330,000
Less tax @ 20%		<u>66,000</u>
Profit after tax		<u>264,000</u>

Required:

Calculate the breakeven point in both units and sales.

(15 marks)

QUESTION 3

Ojochema Company Limited wants to select one of these mutually exclusive projects.

Year	Project A	Project B
0	(700,000)	(2,000,000)
1	150,000	450,000
2	150,000	500,000
3	250,000	550,000
4	120,000	420,000
5	170,000	400,000

The following are additional information:

- i) Project A has N200,000 as scrap value. Project B has N250,000 scrap value.
- ii) A project that has Accounting Rate of Return of less than 16% for Total Investment and less than 25% for Average Investment will be rejected.
- iii) The projects are to be depreciated on straight line basis

Required:

Using ARR, advise Ojochema Company Limited which project to choose.

(15 marks)

QUESTION 4

Write short notes on the following terms:

- a) Rules governing limiting factors in Linear Programming (LP).
 - b) Cost-Volume-Profit Analysis
 - c) Owner's Equity
 - d) Loan Stock
 - e) Operating Lease
- (3 Marks each x 5 = 15 marks)**

QUESTION 5

Explain eight short-term sources of finance for a firm or business. **(15 marks)**

QUESTION 6

- i) Describe five Limitations of Ratios **(10 Marks)**
 - ii) Explain what you know about Financial Performance Measurement **(5 Marks)**
- (Total =15 marks)**