



NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2019_2 EXAMINATION

Course Code: ACC313

Course unit: 3

Course Title: MANAGEMENT ACCOUNTING

Time Allowed: 2 ½ HOURS

Instructions:

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

Q1. (a) OJONUKPE Company Ltd buys and sells Otajiya. The following costs and revenue data for the company are given :

	Per Otajiya	
	N	
Sale price		<u>60.00</u>
Variable Expenses:		
Cost	27.00	
Sales Commission (To sales personnel)	<u>9.00</u>	<u>36.00</u>
Fixed Expenses:		Annual
Advertising		60,000
Rent		40,000
Salaries		<u>200,000</u>
		<u>300,000</u>

Requirements:

- i. Calculate the annual breakeven point in Naira Sales and in unit sales.
- ii. If 12,000 units are sold in a year, what would be the company's net Profit or loss.
- iii. The company is considering paying the manager an incentive commission of N1 per unit (in addition to the existing commission). What would be the new breakeven point in Naira and in unit sales? **(20 Marks)**

Q1. (b) Discuss five (5) differences between direct costing and absorption costing. **(5 Marks)**

Q2. AJAMA Manufacturing Company Ltd manufactures product A. The company is considering manufacturing product A's component, B. AJAMA Company Ltd needs 100,000 units of B for the next financial period. Alternatively, another manufacturer of B has agreed to sell the 100,000 units B to AJAMA Company Ltd at the rate of N32.80 per unit. AJAMA Company Ltd wants to compare the two to take the decision of whether to buy or produce the component. The production costs allocated to component B are as follows:

	N
Direct Material	160,000
Direct Labour	900,000
Variable Factory Overhead	300,000
Fixed Factory Overhead	<u>480,000</u>
	<u>1,840,000</u>

Furthermore, the fixed Factory Overhead that can be avoided if B is bought is N320,000 and the balance will be incurred whether component B is produced or not.

Required:

Should AJAMA Company Ltd make or buy component B? Present an analysis to support your answer. **(15 Marks)**

Q3. ENEMALI Company Ltd is to undertake a project requiring N1,000,000 outlay.

Required to:

Compute the payback period, if:

- a) The project generates N200,000 annually. **(3 Marks)**
- b) The project generates uneven cash flow profile as given below. **(12 Marks)**

Year	Cash flow (N)
1	200,000
2	220,000
3	240,000
4	200,000
5	190,000

Q4. Discuss six (6) types of benchmarking in an organization. **(15 Marks)**

Q5. Draw the smart performance pyramid and explain each of the various levels. **(15 Marks)**

Q6. Briefly discuss the following:

- a) Cash Budget **(3 Marks)**
- b) Ideal Standard **(3 Marks)**
- c) Accounting Rate of Return **(3 Marks)**
- d) Performance measurement **(3 Marks)**
- e) Balanced Scorecard **(3 Marks)**