

2910317 Accounting information systems

Examination paper: Zone A

Time allowed: two hours and fifteen minutes

Do not attempt more than **three** questions. All questions carry equal marks and full marks can be obtained for complete answers to **three** questions.

A hand held calculator may be used when answering questions on this paper but it must not be pre-programmed or able to display graphics, text or algebraic equations. The make and type of machine must be stated clearly on the front cover of the answer book.

1. Mega Ltd. is a business supplying components to the domestic microwave industry. The business is considering an expansion option and has a choice between project A and B. The following information relates to the predicted revenues and costs for the two mutually exclusive projects that the company needs to choose from.

		Costs and Revenues	
Project		A	B
		£	£
Selling price per unit		60	75
<u>Costs per unit</u>			
Direct Materials		20	30
Direct labour		25	22
		Units produced and sold (Annual)	
Project		A	B
Years	1	30,000	14,000
	2	25,000	16,000
	3	18,000	19,000
Initial Capital Outlay		800,000	765,000

REQUIRED

- Calculate the payback and the Net Present Value (NPV) for each project using a discount rate of 12%. (12 marks)
- Calculate the Internal Rate of Return (IRR) and advise management on which project to invest in. (13 marks)

2. What are the advantages/disadvantages of buying off the shelf software?
(25 marks)

3. (a) Briefly define the terms 'fixed assets', 'current assets', 'current liabilities', 'working capital', 'gross profit' and 'net profit'.
(12 marks)

(b) Financial statements are published for shareholders. What decisions are made by the shareholders and how useful are the published accounts in this process?
(13 marks)

4. With the aid of an example, explain the terms marginal cost, contribution, fixed cost, variable cost and break-even point.
(25 marks)

5. Describe the major components of a typical Accounting Information System and discuss the function of each of these components in providing managerial support.
(25 marks)