



OLABISI ONABANJO UNIVERSITY, AGO-IWOYE
FACULTY OF SOCIAL AND MANAGEMENT SCIENCES

DEPARTMENT OF ACCOUNTING AND BANKING & FINANCE (ACCOUNTING)
2015/2016 HARMATTAN SEMESTER EXAMINATIONS

COURSE CODE/TITLE: ACC 303: MANAGEMENT ACCOUNTING I

INSTRUCTIONS: ATTEMPT QUESTIONS 1 & 2 and any other two (2) questions

TIME ALLOWED: TWO (2) HOURS

MATRIC NUMBER SM5/13/14/0337

Q1.

- costs remain constant per unit but vary in total.
- List *THREE* (3) of the attributes of an accounting information as identified by Semion in 1950.
- Any location, item, person or equipment for which cost may be ascertained and used for the purpose of cost control is known as
- A is a factor such as the level of activity or volume, that casually affects costs over a given life span.
- A is the band of activity or volume in which a specific relationship between the volume and the related cost is valid.

Use the following information to answer questions vi and vii

Adamu Limited presented you with the following cost profile for the month of February, 2016.

	N
Direct Material	1,280
Direct Labour	2,760
Supervisory Labour	130
Factory Rent and Rates	550
Fuel and Power	770
Office Expenses	460
Maintenance Cost	70
Depreciation	950
Miscellaneous	<u>1,360</u>
Total Cost	<u>8,850</u>

Using account analysis method of cost estimation,

- What is the variable cost per unit?
- What is the total cost of producing 1,750 units?
- If all available resources are fully utilized at optimum level of production, such constraint is said to be
- is used to recommend the optimum product mix where there is only one constraint.

- x. Incremental costs are the same as
- xi. The two cogent factors to be considered in determining appropriate selling price for external sales are and
- xii. method of cost estimation is most appropriate when direct cost forms a large part of the total cost and when input and output relationship is fairly stable.
- xiii. $Y = N(bx + (x^2 + dx^2))$ describes a cost function.
- xiv. Mention any FOUR (4) cost classification known to you.
Use the following information to answer questions xv and xvi.
- | | |
|---------------------------------------|----------|
| Variable cost per unit | N40 |
| Total fixed cost | N400,000 |
| Units produced | 40,000 |
| Total labour hours | 80,000 |
| Expected contribution per labour hour | N10 |
- xv. The expected profit per unit of the product will be
- xvi. What is the selling price of the product?
- xvii. is the formalized long range planning process used to define and achieve organizational goals.
- xviii. The factor which restricts performance for a given period and equally limiting the other budgeting centre is referred to as
- xix. The individual or various budgets for the varied budget centres is known as
- xx. Fixed cost is relevant for short-term decision making if and only if it is

Q2.a. Kingsley PLC produces rug in three colours, Red, Blue and Brown. The three type of rug are made of a special fibre imported directly from China. As a result of the recent foreign exchange instability, supplies of the fibre have been disrupted and it now seems that the company will be unable to obtain not more than half of its normal requirements in the coming year. The budget for the coming year had been prepared based on the following information provided by the sales and production staff.

Type of Rug	Red	Blue	Brown	Total
Unit Sold	14,000	8,000	9,000	31,000
	N000	N000	N000	N000
Materials	56	22	64	142
Wages	12	20	25	57
Overheads- Variable	10	11	7	28
Fixed	<u>15</u>	<u>10</u>	<u>10</u>	<u>35</u>
Total Cost	93	63	106	262
Sales	<u>120</u>	<u>80</u>	<u>138</u>	<u>338</u>
Profits	<u>27</u>	<u>17</u>	<u>32</u>	<u>76</u>

You are required to:

- Advise the management of Kingsley PLC on the best product mix to produce for the coming year in the light of the restricted availability of special fibre. (10 marks)
- Prepare a revised budget for the coming year on the basis of the advise above. (5 marks)

b. In the short term decision involving make or buy, decisions are made from both the economic and the qualitative perspectives. You are required to list *FIVE (5)* of the qualitative perspectives to the decision making process. (5 marks)

Q3a. List *FIVE(5)* features each of management strategic information and the management tactical information (5 marks)

b. Motiriri Nigeria Limited has N3 million available for investment in projects. The following projects are under consideration:

Project	Initial Investment (N)	Annual Net Cashflow (N)	Life (Years)
1	800,000	230,000	6
2	600,000	190,000	6
3	700,000	210,000	6
4	900,000	280,000	6
5	300,000	92,000	6
6	950,000	300,000	6

The projects are divisible and the company expects a minimum annual rate of return of 18%.

You are required to:

- Using profitability index, determine the projects to be accepted in order to maximize profit. (4 marks)
- Assuming that projects 2 and 5 are mutually dependent and that projects 2 and 6 are mutually exclusive, advice the company on the selection of projects to maximize profitability bearing in mind that only N3 million capital is available and that there is no opportunity to delay any of the projects. (6 marks)

Q4a. State, in a nutshell, the relevancy of the following items as they affect discounted cash flow computation:

- Depreciation (1 mark)
- Interest (1 mark)
- Overhead recovery absorption cost (1 mark)
- Opportunity cost (1 mark)
- Working capital (1 mark)

Q4b. Tompolo Limited has reported the following costs for the past eight months:

Month	Activity Level (Units)	Total costs (N)
1	300	3,800

2	400	4,000
3	150	3,000
4	260	3,500
5	450	5,600
6	210	3,200
7	250	3,100
8	320	3,650

Required:

- i. Using linear regression method, formulate the total cost function for the above (8 marks)
- ii. Calculate the total cost at 250 units level of activity (2 marks)

Q5a. Briefly discuss *FIVE* (5) uses of budgets (5 marks)

b. Discuss budgets and human behaviour in relation to:

- i. imposed budgets (2 marks)
- ii. participative budgets, and (2 marks)
- iii. Negotiated budgets (2 marks)

c. In a nut shell, discuss *FOUR* (4) of the limitations of a budget (4 marks)

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