OLABISI ONABANJO UNIVERSITY, AGO-IWOYE
FACULTY OF SOCIAL AND MANAGEMENT SCIENCES
DEPARTMENT OF ACCOUNTING, BANKING & FINANCE (CCED)
HARMATTAN SEMESTER EXAMINATION 2014/15 SESSION

ACC 303: MANAGEMENT ACCOUNTING I
TIME ALLOWED: 2 HOURS
INSTRUCTION: ANSWER SECTION A AND ANY OTHER THREE QUESTIONS IN SECTION B

SECTION A
MULTIPLE CHOICE QUESTIONS

1. The primary objective of management accounting is: (a) to provide stockholders and potential investors with useful information for decision making (b) to provide banks and other creditors with information useful in making credit decisions (c) to provide management with information useful for planning and control of operations (d) to provide the Internal Revenue Service with information about taxable income.
2. Management accounting and financial accounting differ in that management accounting information: (a) is prepared following prescribed rules (b) is prepared using whatever methods the company finds beneficial (c) is prepared for stockholders (d) is prepared for Internal Revenue Service.
3. Management Accounting information is used for the following except: (a) Planning and controlling activities (b) Optimizing the use of resources (c) Formulating strategy (d) Determination of company tax (e) Safeguard assets
4. Management Accounting is concerned with the provision and interpretation of information which assists management in all but ONE of the following: (a) Planning (b) Controlling (c) Storekeeping (d) Decision making (e) Appraising performance.
5. Which of the following cost is an example of a variable cost? (a) Insurance on the production equipment (b) direct materials (c) the production supervisor's salary (d) depreciation of the factory building.
6. Goods that have been started but are not complete are considered: (a) raw materials inventory (b) work in process inventory (c) finished goods inventory (d) cost of goods sold (e) none of the above.
7. A cost that changes in total in direct proportion to the change in activity level is a: (a) step cost (b) mixed cost (c) variable cost (d) fixed cost.
8. Mixed cost contains both: (a) product and period costs (b) fixed and variable cost (c) direct and indirect cost (d) controllable and uncontrollable cost.
9. Direct material is an example of a: (a) fixed cost (b) variable cost (c) step cost (d) mixed cost.
10. Direct labor is an example of a: (a) fixed cost (b) variable cost (c) step cost (d) mixed cost.
11. Which of the following methods consider the time value of money? (a) payback and accounting rate of return (b) payback and internal rate of return (c) internal rate of return and accounting rate of return (d) net present value and internal rate of return.
12. One of these methods is NOT a capital investment appraising technique (a) accounting rate of Return (b) Internal rate of Returns (c) Discounted Cash Flow (d) payback (e) Variance Analysis
13. What is capital budgeting? (a) A budget for long term expenditure (b) A budget for obtaining investments of capital in the firm (c) A budget for investment of short term funds in the capital markets (d) Budget for business capital (e) Budget for business formation.
14. Which of the following techniques represents the period usually expressed in years, which makes the cash flow from a capital investment appraisal of the project to equal the initial outflow? (a) Internal Rate of Return (b) Accounting Rate of Return (c) Pay Back Period (d) Net Present Value (e) Profitability.
15. Hurdle rate is also referred to as: (a) Shadow price (b) cost of equity (c) Discounted rate (d) dividend rate (e) Cost of capital.
16. The following method can be used to adjust for risks and uncertainties in appraising long term project except (a) Simulation Analysis (b) Pay- off matrix (c)Risk Analysis (d) Net Present Value (e) Expected Value Approach
17. At NPV of zero, it is observed that (a) Breakeven situation exists (b) The firm should accept the proposal put forward (c) The cost of capital under the NPV method is not equal to that of IRR. (d) Cost of capital is zero. (e) cost of capital is negative.

SECTION B

Question 1

The budget is a very common instrument used by many businesses worldwide. Despite its importance as necessary tool for management, budget has been subjected to some criticism from practitioners and researchers studying organizations and human behaviours.

Briefly examine the criticisms from the behavioural point of view. Give recommendations to overcome these shortcomings.

Question 2

Ago-Iwoye Electricity Board of Ogun State has decided to undertake a programme of expansion. The Board has under consideration two mutually exclusive hydro-electricity dams and intends to invest in only one which offers the greater optimal plan. Each dam has a five – year life span. The first reservoir requires an initial capital investment of N210,000 million while the second will need N420,000 million. The annual net cash flows of each of the dams are as follows:

Year	First Dam ₦'m	Second Dam ₦'m
1	45,000	150,000
2	90,000	135,000
3	90,000	135,000
4	90,000	135,000
5	36,000	81,000

Required:

a. Calculate the Net Present Value of each of the two reservoirs, assuming a 10 percent cost of capital.
b. Calculate the payback period of the reservoir
c. What is your recommendation?
d. What is the essence of providing management accounting information?

Question 3

Although MAJIDUN Limited has capacity to produce 16,000 units per month, current plans call for monthly production and sales of 10,000 units at ₦15 each. Cost per unit is as follows:

	₦
Direct Material	5.00
Direct Labour	3.00
Variable Factory Overheads	0.75
Fixed Factory Overheads	1.50
Variable selling expenses	0.25
Fixed administrative expenses	1.00
	11.50

Required:

1) Should the company accept a special order for 4,000 units at ₦10 per unit?
2) What is the maximum price the company should be willing to pay an outside supplier who is interested in manufacturing these products?
3) What would be the effect on the monthly contribution margin if the sales price was reduced to ₦14 resulting in a 10% increase in sales volume?

on 4

a) Which of the following projects will be chosen by a "risk averse" decision maker?

Project	Estimated net Cashflow ₦	Probability
A	2,000	0.3
	3,000	0.4
	4,000	0.3
B	1,000	0.2
	2,000	0.2
	3,000	0.2
	4,000	0.2
	5,000	0.2

b) Three mutually exclusive projects have been analysed with the following results:

Project	EV of profit ₦	standard deviation of possible profit ₦
A	48,000	14,700
B	57,000	16,000
C	32,000	10,300

Required:
Compare the risk of the projects using the coefficient of variation

c) Itemize the major differences between management accounting and financial accounting.

BEST OF LUCK

Project A

CF	Expected value
2000	600
3000	1200
4000	1200
	3000

Project B

Prob	CF
0.2	1000
0.2	2000
0.2	3000
0.2	4000
0.2	5000

Management accounting

Expected value 4 A & B are 3000 & 3000 - Therefore (

[illegible] 3000