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FACULTY OF SOCIAL AND MANAGEMENT SCIENCES
DEPARTMENT OF ACCOUNTING, BANKING AND FINANCE
2016/2017 HARMATTAN SEMESTER EXAMINATION

ACC 303:	MANAGEMENT ACCOUNTING I
INSTRUCTION:	ATTEMPT SECTION A & ANY THREE IN SECTION B
TIME ALLOWED:	2 HOURS

SECTION A

Questions

1. Which phrase best describes the current role of the managerial accountant?
   a. Managerial accountants prepare the financial statements for an organization
   b. Managerial accountants facilitate the decision-making process within an organization
   c. Managerial accountant make the key decisions within an organization
   d. Managerial accountants are primarily information collectors
   e. Managerial accountants are solely staff advisors in an organization
2. An example of qualitative data is:
   a. Product cost
   b. Customer satisfaction
   c. Net income
   d. Inventory cost
   e. Net worth
3. The time value of money focuses on
   a. accounting net income
   b. earnings per share
   c. cash flow
   d. current earnings
   e. accrual net income
4. The Dangote Cotton Candy Company had the following information available regarding last year's operation:

Sales (100,000 units)	200,000
Variable costs	100,000
Contribution margin	100,000
Fixed costs	50,000
Net Income	50,000

   If sales were to increase by 200 units, what would be the effect on net income?
   a. N400 increase
   b. N200 increase
   c. N150 increase
   d. N100 increase
   e. N200 loss
5. 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 management with information useful for planning and control of operations
   e. To provide the Internal Revenue Service with information about taxable income
6. 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. Safeguarding assets
7. 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

8. Which of the following costs is an example of a fixed cost?
   a. Rent on the factory building
   b. Sales commissions
   c. Power costs to operate production equipment
   d. Direct labour
   e. None of the above
9. 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
10. Cost behavior analysis focuses on how costs
    a. React to changes in profit
    b. Change over time
    c. React to changes in activity levels
    d. React to revenue
    e. React to turnover
11. For a cost or revenue to be relevant to a particular decision, the cost or revenue must:
    a. Differ between the alternatives being considered
    b. Be a past cost
    c. Be a future cost
    d. a and b
    e. a and c
12. Qualitative factors that should be considered when evaluating a make or buy decision are:
    a. the quality of the outside supplier's product
    b. can the outside supplier provide the needed qualities
    c. can the outside supplier provide the product when it is needed
    d. all of the above
    e. none of the above
13. Which of the following methods uses income instead of cash flows?
    a. Payback
    b. Accounting rate of return
    c. Internal rate of return
    d. Net present value
    e. None of the above
14. Which of the following methods is a measure of liquidity and not a measure of profitability?
    a. Payback
    b. Accounting rate of return
    c. Internal rate of return
    d. Net present value
    e. None of the above
15. If the annual cash flows are not an annuity, payback is calculated by:
    a. Dividing the investment required by the average annual cash inflow
    b. Dividing the average annual cash inflow by the investment required
    c. Cumulating the net cash flows until they equal the initial investment
    d. Payback cannot be calculated for a project with unequal cash flows
    e. Adding the investment required to average cash flow
16. The following method can be used to adjust for risks and uncertainties in appraising long-term projects 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. Break-even 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

18. 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 investments of short-term funds in the capital markets
    d. Budget for business capital
    e. Budget for business formation
19. Which of the following is NOT a merit of payback period as a technique of project evaluation?
    a. Very simple to use
    b. Emphasizes speedy project returns
    c. Considers time value of money
    d. Very easy to understand
    e. Commonly found in practice
20. An income statement prepared using the contribution margin format classifies costs by:
    a. Function
    b. Behavior
    c. Amount
    d. Relevance
    e. Expenditure
21. Which of the following can be identified as purposes of budgeting?
    i. Communication (ii) authorization (iii) sales maximization (iv) co-operation
    a. (ii) and (iv) only
    b. (i) and (ii) only
    c. (i), (ii) and (iv) only
    d. *All of them*
    e. *None of them*

Use the information below to answer questions 22 and 23

Variable Cost (₦)	Probability	Fixed cost (₦)	Probability
240,000	0.25	175,000	0.25
305,000	0.25	182,000	0.30
501,000	0.40	201,000	0.45

EFC
EC
240,000 0.25 60,000 60,000
305,000 0.25 76250 136250
501,000 0.40 200400 336,650

22. What is the expected value of the Total Variable Costs
    a. ₦351,500
    b. ₦358,500
    c. ₦359,600
    d. ₦360,500
    e. ₦360,650

175000 0.25 43750
182000 0.30 54600
201000 0.40 60450

23. What is the expected value of the Total fixed cost?
    a. ₦187,500
    b. ₦188,800
    c. ₦201,500
    d. ₦281,500
    e. ₦ 361,500
24. Firms may select projects with short paybacks because:
    a. Projects with longer paybacks may be riskier
    b. Shorter payback may help reduced liquidity problems
    c. If the risk of obsolescence is high, the firm may want to recover the funds rapidly
    d. All of the above
    e. No idea
25. One of these methods is NOT a capital investment appraisal technique
    a. Accounting Rate of Returns
    b. Internal Rate of Returns
    c. Discounted Cash Flow

d. Payback
e. Variance Analysis

ECTION B

company is considering taking up of one of two projects. 'X' and 'Y'. Both projects have the same life, require qual investment of ₦800,000 each and both are estimated to have almost the same yield. As the company is new this type of business, the cash flows arising from the projects cannot be estimated with certainty. An attempt was, erefore, made to use probability to analyse the pattern of cash flow from either project during the first year of peration. This pattern is likely to continue during the life of these projects. The results of the analysis are as llows:

Project X			Project Y	
Cash flow (₦)	*Probability*		*Cash flow (₦)*	*Probability*
1,200,000	0.1	120,000	800,000	0.10
1,400,000	0.2	280,000	1,200,000	0.25
1,600,000	0.4		1,600,000	0.30
1,800,000	0.2		2,000,000	0.25
2,000,000	0.1		2,400,000	0.10

done

quired:
ich project should the company take up? Show workings to justify your answer.

e budget is a very common instrument used by many business worldwide. Despite its importance as a necessary l for management, budget has been subjected to some critics from practitioners and researchers studying anizations and human behaviours. Briefly examine the criticisms from the behavioural point of view. Give ommendations to overcome these shortcomings.

ompany is contemplating to purchase a machine. Two machines A and B are available, each costing ₦5. In paring the profitability of the machines, a discounting rate of 10% is to be used and machine is to be written off ve years by straight line method of depreciation with *nil* residual value. Cash inflows after tax are expected as ows:

Common

Year	Machine A	Machine B
1	1.5	0.5
2	2.0	1.5
3	2.5	2.0
4	1.5	3.0
5	1.0	2.0

quired:
licate which machine would be profitable using the following methods of ranking investment proposals:

(a) Pay back method
(b) Net present value method

e discounting factors at 10% are:

Year	1	2	3	4	5
Discounting factor	.909	.826	.751	.683	.621

4. Soyemi Company manufactures part F-10 for use, its production cycle has the following cost per unit for the production of 27,500 units.

	₦
ect materials	7.50
ect Labour	22.50
nufacturing Overheads	24.00
	54.00

as been established that 66⅔ % of the manufacturing overhead costs is fixed. Temilolu Coy Ltd has offered to the 27,500 units of part F-10 to Soyemi Company for ₦47.50/unit. If Soyemi Company accepts Temilolu Coy er, some of the facilities presently used to manufacture part F-10 could be rented to a 3rd party at an annual rent ₦65,000. Additionally, ₦6/unit of the fixed overhead cost which apples to F-10 will be totally eliminated.
The Manufacturing Director of Soyemi Company has called on you to advice on whether or not they should accept Temilolu Company's offer.
Mention factors other than relevant costs above which will influence your decision to accept or reject Temilolu's Company's offer.