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FACULTY OF ADMINISTRATION AND MANAGEMENT SCIENCES
DEPARTMENT OF ACCOUNTING
2017/2018 HARMATTAN SEMESTER EXAMINATIONS

COURSE CODE: ACC 303

COURSE TITLE: MANAGEMENT ACCOUNTING 1

INSTRUCTION: ATTEMPT ANY FOUR QUESTIONS

TIME ALLOWED: 2 HOURS.

1. The DARASIMI Ltd. produces and sells three types of products, P, Q and R. The management committee has decided to discontinue the production of 'Q' since there is not much profit in it. From the following set of information, find out the profitability of the product and give your short comments on the decision of the management.

	Selling price per unit Department C	Direct Material per unit	Direct Wages per unit		
			Department A		Department B
			Department A	Department B	Department C
	₦	₦	₦	₦	₦
P	3000	600	200	150	100
Q	2750	300	200	200	100
R	3050	700	120	100	200

The absorption rates of overheads on the direct wages are:

	Department A	Department B	Department C
Variable overheads	150%	120%	200%
Fixed overheads	200%	240%	150% (17.5 marks)

2. Although MELAYE Limited has capacity to produce 16,000 units per month, current plans call for monthly production and sales of 10,000 units at ₦30 each. Costs per unit are as follows:

	₦
Direct Material	10.00
Direct Labour	6.00
Variable Factory Overhead	1.50
Fixed Factory Overheads	3.00
Variable Selling Expenses	0.50
Fixed Administrative Expenses	2.00
	<u>23.00</u>

Required:

- 1) Should the company accept a special order for 4,000 units at ₦20 per unit? (5marks)
- 2) What is the maximum price the company should be willing to pay to an outside supplier who is interested in manufacturing this product? (4marks)
- 3) What would be the effect on the monthly contribution margin if the sales price was reduced to ₦28 resulting in a 10% increase in sales volume? (8.5marks)

3a. The following are the information provided by TOLULOPE Plc. Using the Net Present Value method, advise TOLULOPE Plc. on which of the projects 'T', 'M', 'X', is the most viable and should be picked.

		Project T	Project M	Project X
		₦	₦	₦
Cost of Initial Investment		100,000	180,000	150,000
Receipts from the				
Projects:	Year 1	40,000	10,000	50,000
	2	50,000	30,000	10,000
	3	60,000	50,000	90,000
	4	70,000	70,000	10,000
	5	80,000	120,000	40,000

Assume that the cost of capital is 10%. Use the discount table stated below:

Year	Discount Factor
1	0.9090
2	0.8264
3	0.7513
4	0.6830
5	0.6209 (13.5marks)

b) List the merits and demerits of the method used above. (4marks)

4a. Which of the following two projects would be chosen by a "risk averse" decision maker?

Project	Estimated net Cash flow	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 (8marks)

4b. Three mutually exclusive projects have been analyzed 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 risks of the projects using the coefficient of variation. (4marks)

4c. Define expected value and state its merits and demerits. (5.5marks)

5. (a) What is Management Accounting (2marks)

(b) List the qualities that a good management accounting report must possess (5.5marks)

(c) Itemize the point of distinction between management accounting and financial accounting. (5marks)

(d) What are the roles of a management accountant within an organization. (5marks)

6. The budget is a very common instrument used by many businesses worldwide. Despite its importance as a 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. (17.5marks)

have you done number 3

(5b)

must be relevant

must reduce uncertainties

must be presented on time

(3b)

Consider time value of money

make use all the cash flow during the period

demerit

take time to calculate