



**NATIONAL OPEN UNIVERSITY OF NIGERIA  
14/16 AHMADU BELLO WAY, VICTORIA ISLAND, LAGOS  
SCHOOL OF MANAGEMENT SCIENCES  
OCTOBER 2013 EXAMINATION**

**Course Code: ENT 425**

**CREDIT UNIT: 2**

**Course Title: MANAGEMENT ACCOUNTING**

**Time Allowed: 2 Hours.**

**Instructions: 1. Attempt question 1 and any other two (2) questions.**

**2. Question 1 carries 30 marks while the other 2 questions carry 20 marks each.**

**3. Present all your points in coherent and orderly manner**

**Questions:**

- 1. a]** State five differences between Management Accounting and Financial Accounting

**20**

**MARKS**

- b]** What would you consider as the four major work activities of a Management Accountant.

**10 MARKS**

- 2. a]** Define the term 'marginal costing'.

**5 MARKS**

- b]** A firm manufactures component BK 200 and the costs for the current production level of 50,000 units are:

	<b>Costs per unit</b>
	<b>₦</b>
Materials	2.50
Labour	1.25
Variable overheads	1.75
Fixed overheads	<u>3.50</u>
<b>TOTAL COST PER UNIT</b>	<b>₦9.00</b>

Component BK 200 could be bought for ₦7.75 and, if so, the production capacity utilized at present would be unused. Assuming that there is no overriding technical consideration, should BK 200 be bought or manufactured? Give reasons.

**15MARKS**

**3. a]** What is Accounting Rate of Return (ARR)?

**4 MARKS**

**b]** State **three** advantages and disadvantages each of ARR.

**6 MARKS**

**c]** Mr. Felix was able to convince his Uncle to grant him a loan of N200,000.00, which he intends to invest in a farming project. He estimates that the project will yield the following

<b>Year</b>	<b>Cash flow (N)</b>
1	60,000.00
2	60,000.00
3	80,000.00
4	60,000.00
5	40,000.00

There was no scrap value at the end of the fifth year and he desires to evaluate the project on the basis of Accounting Rate of Return.

You are required to provide the ARR of this project on the assumption that the annual returns are profits after depreciation but before taxation.

**10 MARKS**

**4.** Describe the constituents of a Master Budget.

**20 MARKS**

**5. a]** Discuss the advantages and disadvantages derivable from Budgetary Control System in an organisation.  
**20 MARKS**