



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

**Course code: ACC 313**

**Credit Unit : 3**

**Course Title: Management Accounting**

**Time Allowed: 2<sup>1/2</sup> HRS**

**Instruction: Attempt Question 1 and any three questions of your choice**

**Present your answers legibly and logically using relevant examples**

1. The following information has been gathered with regard to material X of UMO Ltd.

Descriptions	Units
Normal monthly usage	24,600
Maximum anticipated monthly usage	27,000
Delivery period from suppliers:	
Maximum	3months
Normal	2months
Minimum	1,2months
Re-order quantity (EOQ)	10,000units

**Required:**

- a. Calculate:
  - (i) Reorder level
  - (ii) Minimum stock level
  - (iii) Maximum stock level
- b. Comment on four factors, which may have to be taken into accounts in setting the maximum stock level.
- c. The company required 80,000 units per year which will be used at a constant rate. The purchasing manger is considering what size to be used. The holding cost is 20% of the purchase price. The cost per order is N2,500 while the

purchase price is N 24 per 5 unit. Economic Order Quantity,  
using the formula. (25marks).

2. State the roles of management accounting in a company.  
(15marks)
3. Materials control involves the following procedures
4. Inventory control is the system used in an enterprise to control its investment in stock. This includes three levels;
5. Explain what you understand by Activity Based Costing.
6. What is required of a successful job costing system?