

NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91 Cadastral Zone Nnamdi Azikiwe Express Way, Jabi-Abuja
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
JANUARY 2018 EXAMINATION

COURSE CODE: ACC 313

COURSE UNIT: 3

COURSE TITLE: Management Accounting

TIME ALLOWED: 2 ½ Hours

Instructions: 1. Attempt question one (1) and any other (3) questions.

2. Question one (1) carries 25 marks, while the other three (3) questions carry 15 marks each.

3. Present all your points in coherent and orderly manner

1. JulieNice Ltd produces Bliss fruit drink which sells for ₦15 per unit. Variable cost per unit is ₦9 while annual fixed cost is ₦90,000.

Calculate:

- a. Break-even point in value **(5 Marks)**
- b. The number of units that will be sold to achieve a profit before tax of ₦30,000 **(5 Marks)**
- c. The sales (in ₦) required to achieve a profit after tax of ₦30,000 if the tax rate is 40%. **(5 Marks)**
- d. A new machine costing ₦100,000 will reduce variable cost to ₦8. The machine will be depreciated at 50% per annum. What will be the new break-even point in value if the machine is bought? **(5 Marks)**
- e. What is the minimum level of sale that will justify buying the new machine if the existing sales level is ₦300,000. **(5 Marks)**

2. (a) State and explain any FIVE differences between Cost Accounting and Management Accounting? **(5 Marks)**

(b) PayZee Plc is proposing to purchase a new machine for ₦20, 000,000 which will have a life span of 6 years. The cash inflows estimated to be generated by the machine are as follows: Year 1 = ₦12,400,000; Year 2 = ₦6,000,000; Year 3 = ₦7,100,000; Year 4 = ₦2,203,000 and Year 5 = ₦2,774,000 and removed in year 6 at an estimated net cash outflow of ₦1,477,000. The company's cost of capital is 15%.

Required: Should the investment be proceeded with? **(10 Marks)**

- 3 (a) Explain the term cost behaviour. **(3 Marks)**

(b) With the aid of graphical sketches, explain four (4) types of cost behaviour. **(12 Marks)**

- 4 (a) The costs of operating the maintenance department of ABC Manufacturing Nigeria Limited for the last four months have been given as follows:

	Output (Unit)	Total Cost (N)
1	111,000	7,500

2	115,000	8,000
3	113,000	7,000
4	97,000	6,000

Required: Compute the total cost for month five (5) when output is expected to utilise 8,500 standard hours. **(15 Marks)**

5. From the following data, prepare a cash budget for the first six months of 2015 for Mega Industries Ltd:

Budgeted Profit and Loss Accounts for the period ended 30 June, 2015.

	Jan N'000	Feb N'000	Mar N'000	April N'000	May N'000	June N'000
Sales	90	92	88	95	90	94
Less Purchases	<u>54</u>	<u>56</u>	<u>50</u>	<u>60</u>	<u>52</u>	<u>55</u>
Gross Profit	36	36	38	35	38	39
Less operating expenses:						
Selling expenses						
Distribution expenses	(10)	(12)	(13)	(13)	(16)	(15)
Admin. expenses	(6)	(4)	(5)	(7)	(4)	(5)
Net profit	<u>(3)</u>	<u>(4)</u>	<u>(4)</u>	<u>(2)</u>	<u>(5)</u>	<u>(3)</u>
	<u>17</u>	<u>16</u>	<u>16</u>	<u>13</u>	<u>13</u>	<u>16</u>

- (ii) Sales for November and December 2014 were ₦85,000 and ₦90,000 respectively.
- (iii) 40% of sales would be in cash, 30% each would be paid in 30 days and 60 days.
- (iv) Purchases for November and December 2014 were ₦48,000 and ₦50,000 respectively
- (v) 75% of purchases would be paid for immediately and the balance in two months time.
- (vi) Selling expenses are to be settled in two equal installments in 30 and 60 days. December 2014 expenses are ₦15,000.
- (vii) Distribution, expenses are payable one month in arrears while administration expenses are payable immediately.
- (viii) Distribution expenses for December 2014 would be ₦5,000 while selling expenses would be ₦8,000 for November 2004 and ₦9,000 in December 2014.
- (ix) Balance in the bank on 31 December, 2014 is expected to be ₦28,000 overdrawn.
- (x) The company intends to pay for the following:
- Company tax of ₦12,000 in February 2015
 - A new generator costing ₦6,500 in March 2015
 - Dividends of ₦20,000 in April 2015.
- (xi) Some unserviceable vehicles would be sold in January 2015 for ₦8,000. Show all workings. **(15 Marks)**

6. Briefly explain the following:

- The Balanced Score Card **(5 Marks)**
- SMART Performance Pyramid **(5 Marks)**
- Building Blocks **(5 Marks)**