NATIONAL OPEN UNIVERSITY OF NIGERIA
Plot 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi-Abuja
Faculty of Management Sciences, Department of Financial Studies
October/November Examination 2016

COURSE CODE: ACC313
COURSE TITLE: MANAGEMENT ACCOUNTING
CREDIT UNIT: 3
TIME ALLOWED: 2 HOURS 30 MINUTES

Instructions:

1. **Attempt question number one (1) and any other three (3).**
2. **Question number 1 is compulsory and carries 25 marks while the other carry 15 marks each.**
3. **Present all your points in coherent and orderly manner.**

QUESTION ONE

Mix and Bake Nigerian Limited began work on 1 January 2010 on a contract for the building of an extension of New Lagos road amounting to N3,600,000. The retention on contract is agreed at 10%. On November 2010 the certificate of work approved amounted to N2,400,000. The following information is available.

Materials sent to site	750,000
Labour engaged on site	460,000
Plant installed at cost	280,000
Direct expenditure	82,000
Establishment charges	350,000
Materials returned to stores	45,000
Cost of work not yet certified	290,000
Materials on site at 31 December 2010	55,000

Wages accrued at 31 December 2010	25,000
Direct expenses accrued at 31 December 2010	9,000
Value of plant at 31 December 2010	320,000

You are required to complete the Contract Account, showing the amount of profit likely to be taken into annual accounts to 31 December 2010 and to calculate the value of work in progress.

QUESTION TWO

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

	Units
Normal monthly usage	44,000
Maximum anticipated monthly usage	57,000
Minimum anticipated monthly usage	9,800
Delivery period from suppliers:	
Maximum	5 months
Normal	4 months
Minimum	2 months
Re-order quantity (EOQ)	40,000 units

Required:

(a) Calculate:

(i) Re-order level

(ii) Minimum stock level

(iii) Maximum stock level.

(b) Comment on four factors, to be considered in setting the maximum stock level.

QUESTION THREE

3. Mr Kunle recently convinced his friends and relations to lend him a loan of ₦350,000, which he intends to invest in a farming project. He estimates that the project will yield the following returns annually for next five consecutive years.

Year	₦
1	80,000
2	100,000
3	160,000
4	90,000
5	70,000

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

Required:

Provide the Accounting Rate of Return of this project on the assumption that the annual returns are profits after depreciation but before taxation.

QUESTION FOUR

Mercy and Grace Ltd. has the following total factory overhead computed at both the high and low levels of activity for a given month of operation:

Levels of activity	High	Low
Direct labour hours	150,000	100,000
Total factory cost (N)	352,500	284,000

The total factory overhead above consists of indirect materials, repairs and rent expenses. The company has analysed, at the 100,000 direct labour hours of activity level that costs exist in the following proportions:

	N
Indirect materials (variable)	100,000
Repairs	64,000
Rent (fixed)	120,000
	284,000

For planning purposes, the company wishes to break the repairs cost into its variable and fixed elements

You are required to:

(a) Determine how much of the N352,500 total factory overhead costs at the high level of activity above that relates to repairs costs.
(b) Determine by means of the high and low method of cost analysis, the cost function for the repairs cost.

QUESTION FIVE

1. Explain the following terms:
   (a) Advanced Manufacturing Technology (AMT)
   (b) Computer-Aided Design (CAD)
   (c) Computer-Aided Manufacturing Efforts (CAM)
   (d) Total Quality Control (TQC)
   (e) Total Quality Management (TQM)

QUESTION SIX

Explain Cost of Capital and mention five variables by which it can be determined.