NATIONAL OPEN UNIVERSITY OF NIGERIA
14/16, AHMADU BELLO WAY, VICTORIA ISLAND, LAGOS
SCHOOL OF MANAGEMENT SCIENCES
JUNE, 2013 EXAMINATIONS

Course Code: **ENT 425** **2 UNITS**
Course Title: **MANAGEMENT ACCOUNTING**
Time Allowed: **2 Hours.**
Instructions: **1. Attempt Question 1 and any other two (2) Questions.**
2. Question 1 is compulsory and carries 30 marks while the other 2 Questions carry 20 marks each.
3. Present all your points in coherent and orderly manner

1. a] Define inventory control and state the three cost categories associated with it.
10 MARKS

b] Using the following data, *calculate*
i. The reorder level
ii. The minimum level, and
iii. The maximum level.

Average usage	100 units per day
Minimum usage	60 units per day
Maximum usage	130 units per day
Lead time	20-26 days
EOQ	4,000 units

10 marks

C] i. State any three assumptions governing the Economic Order Quantity (EOQ)?

3marks

ii. Find the EOQ where the forecasted demand is 1,000 units month, the ordering cost is ₦350 per order, the units cost ₦8 each and it is estimated that carrying costs are 15% per annum.

8 MARKS

2. A] Define the term ‘variable costing’.

5 MARKS

B] A firm manufactures component BK 200 and the costs for the current production level of 50,00 units are:

Costs per unit

	₦
Materials	2.50
Labour	1.25
Variable overheads	1.75

Fixed overheads	3.50
TOTAL COST PER UNIT	₦9.00

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

15 ARKS

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

Year	**Cash flow (N)**
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 master budget.

20 MARKS

5. a] Define Budgetary Control.

4 MARKS

B] Discuss the advantages and disadvantages derivable from Budgetary Control System in an organisation.

16 MARKS