



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**14/16, AHMADU BELLO WAY, VICTORIA ISLAND, LAGOS**  
**SCHOOL OF MANAGEMENT SCIENCES**  
**SECOND SEMESTER 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 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 the term 'breakeven point'. 1**  
**MARK**

- b. What are the five assumptions associated with C-V-P analysis? 5**  
**MARKS**

- b. A company makes a single product with a sales price of N10.00 and a marginal cost of N6.00. Fixed costs are N60, 000.00 per annum.**

**Calculate:**

- i) Number of units to breakeven; 4**  
**MARKS**

- ii) Sales at breakeven point; 4**  
**MARKS**

- iii) Contribution/Sales ratio; 4**  
**MARKS**

- iv) What number of units will need to be sold to achieve a profit of N20,000 per annum? 4**  
**MARKS**

- v) What level of sales will achieve a profit of N20,000.00 per annum? 4**  
**MARKS**

- vi) As in (d) above, with a 40% tax rate. 4**  
**MARKS**

2. a. List the work activities of management accountants in organizations.

**5 MARKS**

- c. Discuss any five major differences between management accounting and financial accounting.

**15 MARKS**

3. a. Explain the term Internal Rate Return (IRR).

**2 MARKS**

- b. Olu Limited has a project which involves immediate cash outlay of ₦200,000. The company estimates that the net cash inflows from the project will be as follows:

<u>YEAR</u>	<u>CASH-FLOWS (₦)</u>
1.	60,000
2.	60,000
3.	80,000
4.	60,000
5.	40,000

- i) Calculate the IRR for Olu's project .

**14**

**MARKS**

- ii) State the decision rule for IRR.

**4 MARKS**

4. a. List five functions of a budget.

**5 MARKS**

- b. Describe the components of the Master Budget.

**15**

**MARKS**

5. a. State four characteristics of a Re-order level system or 'Two-bin' system.

**8**

**MARKS**

- b. The following information has been gathered with regards to material Z

of Kingsway Ltd;	
Normal month usage	28,600 units
Maximum anticipated monthly usage	33,000 units
Minimum anticipated monthly usage	8,000 units
Delivery period from suppliers	
Maximum	3 months
Normal	2 months
Minimum	1.5 months
Re-order quantity (EOQ)	12,000 units

**You are required to calculate:**

- |      |                     |          |
|------|---------------------|----------|
| i.   | Re-order level      | <b>4</b> |
|      | <b>MARKS</b>        |          |
| ii.  | Minimum Stock level | <b>4</b> |
|      | <b>MARKS</b>        |          |
| iii. | Maximum Stock level | <b>4</b> |
|      | <b>MARKS</b>        |          |