



# ELIZADE UNIVERSITY, ILARA-MOKIN, ONDO STATE

FACULTY: SOCIAL & MANAGEMENT SCIENCES  
DEPARTMENT: ACCOUNTING & FINANCE  
SECOND SEMESTER EXAMINATIONS- 2018/2019 ACADEMIC SESSION

COURSE CODE: ACF 306  
COURSE TITLE: MANAGEMENT ACCOUNTING  
DURATION: 2 1/2 HOURS

**INSTRUCTION:** Attempt Question 1 and any other three (3) questions.

## QUESTION 1

**JAYE Nig. Ltd.** produces a computer component which sold at ₦1,200 per unit. The cost associated with each unit of the component are as given below:

Direct Material cost	-	₦300/unit
Direct Labour cost	-	₦250/unit
Variable Overhead cost	-	₦200/unit
Variable Selling & Admn. Cost	-	₦50/unit
Total Fixed cost		₦7000,000
The company tax rate	-	30%

In a recent meeting of board of Director of the company where you represented the Director of finance, the follow question ensued:

How many units of the component can the company produced and sell to accomplish the following requirements?

- To break even
- To earn a net income before tax of ₦3,000,000
- To earn a net income of ₦2,400,000
- To earn 20% on sale before tax
- To earn 15% return on sales after tax.

You are required to prepare your submission to the board in form of report stating clearly the basis of your decision. (21 Marks)

## QUESTION 2

**Victoria Nig. Ltd** is a company that produces a labour intensive product called GIG on which the following information was provided to you:

Direct labour hours used to make a GIG in the first batch of production was 100 hours.

Direct labour cost is ₦2,000/hour

Direct material ₦120,000 per GIG

Learning curve rate is 80%

Fixed cost is ₦640,000

You are required to determine the expected cost of making a GIG in the batch of 4 GIGS, 16 GIGS and 20 GIGS  
**(13 Marks)**

### QUESTION 3

(a) Management Accountant is expected to assist in planning, controlling and decision-making process of an organization. Discuss.  
**(8 Marks)**

(b) Briefly explain five principal differences between Management Accounting and Financial Accounting  
**(5 Marks)**

**(Total 13 Marks)**

### QUESTION 4

The following costs, level of activities and associated periods were given by BREAD OF LIFE Industry for the purpose of determining fixed costs, variable costs and the total cost for the next period- Period 8.

Period	Cost Incurred (₦)	Product in Units
1	656	80
2	692	86
3	683	87
4	698	94
5	707	95
6	703	97
7	713	104

You are required to use Least Square Method of linear regression analysis to compute the requested variables.  
**(13 Marks)**

### QUESTION 5

(a) AB Ltd. is undertaken a project requiring an investment of ₦120,000 on plant and machinery. The project will last for 5 years at the end of which it will have a book value of ₦30,000. Profit before depreciation are as follows:

Year	I	2	3	4	5
Profit before Depreciation	40,000	44,000	48,000	52,000	58,000

You are required to calculate the Accounting Return of the project  
**(10 Marks)**

(b) State six demerits of the method.  
**(3 Marks)**

**(Total 13 Marks)**

### QUESTION 6

(a) NO BONE FOR LAZY DOG Nig. Ltd is considering selection of one pair of mutually exclusive project that involves purchasing of Machinery that will last for 5 years.

Project A is expected to generate annual cash flow of ₦200,000, The machinery will cost ₦556,000 and have a scrap value of ₦56,000.

Project B will generate annual cash flow of ₦500,000 the machine will cost ₦1,616,000 with a scrap value of ₦301,000. The company uses the straight-line method for providing for depreciation. The company cost of capital is 15%. You are required to calculate (i) The ARR  
(ii) The net present value (iii) The internal rate of returns. (9 Marks)

(b) Determine which project to be accepted - State reasons. (4 Marks)

(Total 13 Marks)