



BOWEN UNIVERSITY, IWO
COLLEGE OF MANAGEMENT AND SOCIAL SCIENCE
ACCOUNTING AND FINANCE PROGRAMME

2023/2024 FIRST SEMESTER B.Sc ACCOUNTING EXAMINATION

Course Title: Management Accounting I

Date:

Course Code: ACC 401

Time Allowed: 2½hours

INSTRUCTIONS: Answer Question 1, 2 and any other Two (2) Questions.

SECTION A: SHORT ANSWER QUESTIONS

QUESTION 1a.

1. The value of benefit sacrificed in favour of an alternative course of action is termed
2. The part of capital which is required to run the business after fixed assets have been obtained is known as
3. is the theory that assumes that as a worker becomes familiar with a new job, experience increases resulting in a decline in time required to perform the job.
4. is the degree to which a goal objective or target is met.
5. Individual behaviour that conflicts with the goals of the organisation is referred to as
6. Plan becomes budget when is attached to it.
7. is the degree to which inputs are used in relation to a given level of outputs.
8. The time between the period that the order is made and the time the item is received is known as
9. The application of accounting techniques to the provision of information designed to assist all levels of management in planning and controlling the activities of an organisation is known as
10. Expenditure that has already been incurred and is not relevant to decision making is called

(10marks)

QUESTION 1b.

In the broadest sense, all accounting is management accounting. All financial and cost information generated by accountant is of some interest to management. But in practices where management accounting differs from financial accounting "Excepts from an insight into john Sizer"

In the light of above statement, you are required to:

- (i) Give a brief definition of Management Accounting (3marks)
- (ii) Document a vivid discussion of the major differences between management and financial accounting. (7marks)

(10marks)

Total (20marks)

QUESTION 2a.

What are the meanings of the following in – relation to Management Accounting.

- (i) Out of Pocket Cost (2marks)
- (ii) Imputed Cost (2marks)
- (iii) Incremental Cost (2marks)
- (iv) Differential Cost (2marks)
- (v) Relevant Cost of Raw material (2marks)

(10marks)

A fixed asset having an estimated life of 9 years was procured by Accountancy Ltd., 4 years ago for ₦30,000. Depreciation is calculated at 10% per annum on the asset. The asset has not been used for some time, however, as expected production order did not materialised.

A special order has been received which would require the use of the existing fixed asset for the next 3 months. The order will also make use of materials bought for ₦4,000. The current net realizedable value of the existing fixed Asset is ₦16,000 while the current net book value is ₦18,000. If the asset is used for the job, the value will reduce to ₦13,000 when the special order is completed. The order will require additional, small asset that cost ₦600. This asset will worth ₦50 after the order is met.

Presently, monthly maintenance cost is ₦250, while administrative cost is ₦500 monthly. If the order is accepted, the costs will increase to ₦600 and ₦900 respectively per month.

Required:

- (i) determine the minimum price to be accepted for the order. (6marks)
 - (ii) explain the basis of the calculations made by you. (4marks)
- (20marks)

QUESTION 3a.

- (i) What do you understand by term "*Learning curve theory*" (2marks)
- (ii) State four (4) advantages of the experience curve theory to management? (2marks)
- (iii) Mention two (2) necessary conditions for learning effect. (2marks)

QUESTION 3b.

Ajao Company Limited has been making annual purchases of 80,000 water pumps from Water Engineering Nigeria Limited. The price has increase each year, reaching a level of ₦136 per unit last year. Because purchase price has increased significantly, Regina Company Limited management has asked that an estimate be made of the cost to manufacture the pumps in its own facilities. The company has no experience with products requiring assembly. The engineering, manufacturing and accounting departments have prepared a report for management which include the estimates shown below for an assembly run of 10,000 units.

Additional production employees would be hired to manufacture the sub-assembly. However, no additional equipment space or supervision would be needed. The report stated that total cost for 10,000 units would be ₦1,914,000 or ₦191.40 unit. The current purchase price is ₦136 a unit, so the report recommended a continued purchase of the product.

	₦
Assembly labour	600,000

- (i) Assembly labour consists of hourly production workers.
- (ii) Factory overhead applied to products on a direct labour cost basis. Variable overhead costs vary closely with direct labour costs.

Required:

- (i) Assuming on 80% learning curve, what would be the cumulative labour cost for producing the 80,000 pumps during the first year.

Using both Tabular and Formula approach method. (9marks)

QUESTION 4.

ABC Company wishes to arrange overdraft facilities with its bankers during the period of April to June of a particular year, when it will be manufacturing mostly for stock. Prepare a cash budget for the above period from the following data, indicating the extent of the bank facilities the company will require at the end of each month.

(a)

Month	Sales N	Purchases N	Wages N
February	180,000	124,000	12,000
March	192,000	144,000	14,000
April	108,000	243,000	11,000
May	174,000	246,000	10,000
June	126,000	268,000	15,000

- (i) 50% of the credit sales are realised in the month following the sales and the remaining sales in the following second month; creditors are paid in the following month of purchase. (6marks)
- (ii) Cash at bank on 1st April (estimated), N25,000. (6marks)

QUESTION 4b.

- (i) Define a budget and a budgetary control (4marks)
- (ii) Define the following terms in relation to budget:
- (a) Budget Period (1mark)
 - (b) Limiting Factor (1mark)
 - (c) Budget Manual (1mark)
 - (d) Budget Centre (1mark)
 - (e) Budget Committee (1mark)

(5marks)

(15marks)

QUESTION 5a.

Management accounting information should comply with number of criteria's that it to be useful in planning, control and decision making. Mention five (5) of those information's and explain briefly.

(10marks)

QUESTION 5b.

Define "Cost Unit" and "Cost Centre", distinguishing carefully between them, and give two (2) examples of each. (5marks)