



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**Plot 91 Cadastral Zone NnamdiAzikiwe Express Way, Jabi-Abuja**  
**FACULTY OF MANAGEMENT SCIENCES**  
**DEPARTMENT OF FINANCIAL STUDIES**  
**2022\_1 EXAMINATIONS**

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**COURSE CODE: ACC313** **CREDIT UNIT: 3**

**COURSE TITLE: MANAGEMENT ACCOUNTING**

**TIME ALLOWED: 2 1/2 HOURS**

**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 3 questions carry 15 marks each. Present all your points in coherent and orderly manner.**
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**QUESTION 1(a)**

Ukwukpojon Company Limited has the following monthly forecast for six months (July, August, September, October, November, and December) in 2020.

| Particulars           | July<br>2020 | Aug.<br>2020 | Sept.<br>2020 | October<br>2020 | Nov.<br>2020 | Dec.<br>2020 |
|-----------------------|--------------|--------------|---------------|-----------------|--------------|--------------|
|                       | N            | N            | N             | N               | N            | N            |
| Purchases of Material | 2,400        | 2,800        | 3,200         | 3,600           | 4,000        | 2,200        |
| Direct Labour         | <u>600</u>   | <u>800</u>   | <u>1,000</u>  | <u>1,200</u>    | <u>1,400</u> | <u>1,600</u> |
| Prime Cost            | 3,000        | 3,600        | 4,200         | 4,800           | 5,400        | 3,800        |
| Depreciation          | 600          | 600          | 600           | 600             | 600          | 600          |
| Factory expenses      | 1,400        | 1,600        | 1,800         | 2,000           | 2,200        | 2,400        |
| Rent paid             | 2,000        | 2,000        | 2,000         | 2,000           | 2,000        | 2,000        |
| Salaries              | 6,000        | 6,000        | 6,000         | 6,000           | 6,400        | 6,800        |
| Advertisement         | 6,800        | 7,000        | 7,200         | 7,400           | 7,600        | 7,800        |
| Commission on sales   | <u>400</u>   | <u>1,000</u> | <u>600</u>    | <u>700</u>      | <u>800</u>   | <u>800</u>   |
| Total cost            | 20,200       | 21,800       | 22,400        | 23,500          | 25,000       | 24,200       |
| Sales on credit       | 16,000       | 18,000       | 20,000        | 40,000          | 50,000       | 60,000       |
| Profit/Loss           | (4,200)      | (3,800)      | (2,400)       | 16,500          | 25,000       | 35,800       |

The following information are also relevant:

- Rent is paid in cash
- Salaries are paid in the current month
- Factory expenses are paid after two months
- Purchases are paid for a month after.
- There is one month lag in the payment of direct labour

- vi) N5,000 and N9,000 will be paid for a set of computers for the months of August and September 2020 respectively.
- vii) Closing cash balance at the end of Sept. 2020 is N40,000.
- viii) Sales commission is paid for in the current month.
- ix) Debtors will pay their debts after two months.
- x) Tax payment of N3,000 will be made in Sept. and Dec. 2020
- xi) Advertisement is paid in the current month

**Requirements:**

Prepare monthly Cash Budget for the months of October, November, and December 2020. Advise Ukwukpojon Company Limited whether to invest or borrow fund. **(15 Marks)**.

**QUESTION 1(b)**

Explain the various objectives of budgetary control? **(10Marks)**

**QUESTION 2**

**PraiseGod Company Limited** produces and sells a single product. The product sells at N30 per unit. The profit and loss statement for 31<sup>st</sup> March, 2021 is as follows:

|                                        | N              | N              |
|----------------------------------------|----------------|----------------|
| Sales                                  |                | 1,600,000      |
| Direct material                        | 200,000        |                |
| Direct wages                           | 220,000        |                |
| Variable Production overhead           | 140,000        |                |
| Fixed production overhead              | 160,000        |                |
| Selling and distribution expenses (FC) | 120,000        |                |
| Administrative expenses (FC)           | <u>100,000</u> | <u>940,000</u> |
| Net profit before tax                  |                | 660,000        |
| Less tax @ 15%                         |                | <u>99,000</u>  |
| Profit after tax                       |                | <u>561,000</u> |

**Required:**

Calculate the breakeven point in both units and sales. **(15 marks)**

**QUESTION 3**

Costing methods are those methods which help a firm to compute the cost of production or services offered by it. From the above, describe the costing methods known to you. **(15 marks)**

**QUESTION 4**

Describe the capacity levels known to you and explain the need for revising standards.  
**(15 marks)**

**QUESTION 5**

- a) Explain with examples the following concepts:
- Variance analysis **(2 marks)**
  - Sales Margin Variance **(3 marks)**
  - Material usage variance **(3 marks)**
- b) Mention the various causes of material price variance **(7 marks)**

**(Total = 15 Marks)**