

THIS PAPER IS NOT TO BE REMOVED FROM THE EXAMINATION HALLS

UNIVERSITY OF LONDON

291 0317 ZA

BSc Examination
for External Students

**COMPUTING AND INFORMATION SYSTEMS AND
CREATIVE COMPUTING**

Accounting Information Systems

Dateline: Thursday 7 May 2009 : 10.00 – 12.15 pm

Duration: 2 hours 15 minutes

Candidates should not attempt more than **THREE** questions. All questions carry equal marks and full marks can be obtained for complete answers to **THREE** questions.

A hand held calculator may be used when answering questions on this paper but it must not be pre-programmed or able to display graphics, texts or algebraic equations. The make and type of machine must be stated clearly on the front cover of the answer book.

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1. SAIF Plc. is considering investment in one of two projects. The machinery that it will purchase will become technically obsolete within five years.

The company uses the straight line method for providing depreciation and has a 15% annual discount rate. Assume that annual cash flows arise on the anniversaries of the initial outlay, that there will be no price changes over the project lives and that the acceptance of one of the projects will not alter the required amount of working capital.

Project 1 would generate annual cash flows (receipts less payments) of £3,400,000; the machinery would cost £9,455,200 and have a scrap value of one tenth of the original price.

Project 2 would generate annual cash flows of £8,500,000; the machinery would cost £27,472,000 and have a scrap value of £5,117,000.

- (a) Calculate for each project: (12 marks)
net present value.
internal rate of return to nearest 1%.
- (b) State which, if any project you would select for acceptance and briefly outline the assumptions and limitations of each of the two investment appraisal techniques. (13 marks)
2. Contrast the difference between financial and management accounting. Which of these is more useful for managerial decision making? (25 marks)
3. What are the benefits of having a flexible budget? (25 marks)
4. What are the main ratios calculated from the balance sheet and the profit and loss account? What information do they convey? (25 marks)
5. Critically evaluate the decision to buy 'off the shelf' software. (25 marks)

END OF EXAMINATION