

SOUTHWESTERN UNIVERSITY NIGERIA

1. (a) Provide a highlight on the Accounting Rate of Return (ARR) method and indicating its advantages and disadvantages.

(b) Alagbado Ltd is to select between two projects using the ARR method-Project A and Project B that are mutually exclusive and have the following information available.

	Project A	Project B
Cost of product	N140,000	N200,000
Life of Project	4 years	4 years
Residual value	N7,500	N22,500

1. (a) Provide a highlight on the Accounting Rate of Return (ARR) method and indicating its advantages and disadvantages.

(b) Alagbado Ltd is to select between two projects using the ARR method-Project A and Project B that are mutually exclusive and have the following information available.

	Project A	Project B
Cost of product	N50,000	N120,000
Life of Project	3 years	4 years
Residual value	N84,000	N90,000

2. (a) Elaborate on the concept of Pay Back and Period of depreciation before two projects

	Project A	Project B
Year 1	N50,000	N170,000
Year 2	N60,000	N150,000
Year 3	N84,000	Nil
Year 4	N90,000	Nil
Year 5	40,000	Nil

Assuming straight line depreciation, a tax rate of 15% and company target rate of return of 20%, which Year of the projects should the company select?

2. (a) Elaborate on the concept of Pay Back and Period of depreciation before two projects

	Project A	Project B
Year 1	140,000	170,000
Year 2	170,000	170,000
Year 3	170,000	170,000
Year 4	170,000	170,000
Year 5	170,000	170,000

3. Explain Net Present Value (NPV) its advantages and dis-advantages as a project

