MACHAKOS UNIVERSITY

University Examinations 2018/2019

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ADMINISTRATION

FIRST YEAR SECOND SEMESTER EXAMINATION FOR

DIPLOMA IN ACCOUNTANCY

2804/101: ENTREPRENEURSHIP EDUCATION

DATE: 15/4/2019 **TIME: 2.30-5.30 PM**

INSTRUCTIONS

Answer question one which is compulsory and any other two questions

QUESTION ONE (20 MARKS)

a) Define cost accounting (2 marks)

b) Differentiate financial accounting from cost accounting (5 marks)

c) State the limitations of cost accounting (3 marks)

d) Consider the following data relating to mwanzo store for cost of photocopying

YEAR	NO OF COPIES	COST
2014	325	700
2015	451	750
2016	525	800
2017	600	830

Required

Compute the cost function using linear regression analysis and estimate the cost for 2018 if mwanzo stores estimates to make 900 copies (10 marks)

QUESTION TWO (20 MARKS)

Explain 5(FIVE) Method of cost classifications giving examples of their cost elements

QUESTION THREE (20 MARKS)

a) Explain the operations of work measurement method of cost classification (2 marks)

b) State two benefits of work measurement (2 marks)

c) What are the limitations of work measurement (3 marks)

d) The following data relate to the operations of kwetu ltd for the year ended 31^{st} December 2019

month	Activity level " 000 units	Total cost shs "000
July	40	164
August	32	140
September	48	180
October	44	170
November	36	146
December	34	142

Required

i. Estimate the cost function using high-low method (10 marks)

ii. Estimate total cost given the following levels of activity (3 marks)

A) 41,000

B) 16,000

C) 21,000

QUESTION FOUR (20 MARKS)

Differentiate the following concepts

a) Manufacturing v/s non-manufacturing costs

b) Fixed costs v/s variable costs

c) Controllable v/s non controllable costs

d) Prime cost v/s period cost

e) Relevant v/s irrelevant cost

QUESTION FIVE (20 MARKS)

From the following data prepare a cost statement.

Raw materials	sh. 80,250
Direct labour	sh.45,000
Factory rent	sh 1,000
Power	sh 6,000
Indirect wages	sh. 12,000
Administrative expenses	sh. 4,000
Selling &distribution	sh.5420

Profit is 25% of cost

Required : prepare a cost statement