

1803/303
1804/303
1806/303
COST ACCOUNTING
March/April 2025
Time: 3 hours



THE KENYA NATIONAL EXAMINATIONS COUNCIL
CRAFT CERTIFICATE IN SUPPLIES MANAGEMENT
CRAFT CERTIFICATE IN ACCOUNTANCY
CRAFT CERTIFICATE IN BUSINESS ADMINISTRATION

COST ACCOUNTING

3 hours

INSTRUCTIONS TO CANDIDATES

*This paper consists of 14 questions in TWO sections; A and B.
Answer ALL the questions in BOTH sections in the answer booklet provided.
Candidates should answer the questions in English.*

This paper consists of 5 printed pages.

**Candidates should check the question paper to ascertain that all the
pages are printed as indicated and that no questions are missing.**

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Turn over

SECTION A: (32 marks)

Answer **ALL** the questions in this section.

1. Classify each of the following costs according to function:

- (i) office rent;
- (ii) factory and rent;
- (iii) commission of sales persons.

(3 marks)

2. List three types of stock taking.

(3 marks)

3. The following are the estimates of Twapa Enterprises for the year 2025.

| | |
|----------------------------|-----------------|
| Sales | 14,00,000 units |
| Inventory (1 January 2025) | 250,000 units |
| 31 December 2025 | 160,000 units |

Prepare a production budget.

(4 marks)

4. List three elements of process costing.

(3 marks)

5. The following information relates to Pamal, an employee of Kamata Enterprises for the month of January 2025.

| | |
|--------------|--------------------|
| Time allowed | 80 hours |
| Time taken | 60 hours |
| Basic rate | Ksh. 200 per hours |

Determine the gross wage using the Rowan Bonus Scheme.

(4 marks)

6. List three bases that may be used to absorb overheads.

(3 marks)

7. State three uses of cost accounting in a manufacturing organisation.

(3 marks)

8. The following information relates to Material P used by Waito Enterprises.

2025

February 1 Balance b/d 600 kg valued at Ksh 18,000

4 Received 400 units at Ksh. 40 each

10 Issued 500 units

1803/303, 1806/303

2

1804/303

March/April 2025

- Determine the value of the issued units using the Last in First Out (LIFO) method. (3 marks)
9. State three advantages of time rate method of labour remuneration. (3 marks)
10. Tomak Enterprises has three departments A, B and C. Whose floor area is about 40 m², 25 m² and 35 m² respectively. During the year 2024, the total rent amounted to Ksh 420,000. Determine the amount of rent charged to each department. (3 marks)

SECTION B: (68 marks)

Answer ALL the questions in this section.

11. (a) Explain each of the following terms as used in labour remuneration.
- (i) bonus;
 - (ii) overtime bonus;
 - (iii) gross pay;
 - (v) net pay.
- (8 marks)
- (b) The following information relates to Material B10 used by Wendo Enterprises in its production for the month of December 2024.

| | |
|------------|---|
| 2024 | |
| December 1 | Balance b/d; 400 units valued at ksh 16,000 |
| 4 | Issued 100 units |
| 8 | Received 250 units at Ksh. 50 each. |
| 12 | Issued 200 units. |
| 16 | Received 460 units at Ksh. 60 each. |
| 20 | Issued 120 units. |
| 26 | Issued 300 units. |
| 30 | Received 160 units at Ksh 42 each. |

Prepare a stores ledger account using simple average method.

(9 marks)

12. (a) Explain four characteristics of an effective cost accounting system. (8 marks)

(b) The following information relates to three employees of Rappo Traders for the month of January 2025.

| Name | Units produced | Rates per unit Ksh |
|-------|----------------|-----------------------|
| Allan | 400 | 90 |
| Ben | 260 | 120 |
| Tevoh | 310 | 70 |

Additional information:

- (i) NSSF contribution is 4% of gross pay.
- (ii) SHIF contribution is Ksh. 500 per month.
- (iii) Union levy 2% of gross pay.

Prepare a payroll for the month of January 2025. (9 marks)

13. (a) Explain four factors that may determine the choice of overhead absorption rate. (8 marks)

(b) The following information relates to Nyamad Enterprises for the year 2024.

| | Ksh |
|-------------------------------|-----------|
| Inventory 1 January 2024 | |
| Raw material | 18,000 |
| Work in progress | 150,000 |
| Inventory (31 December 2024): | |
| Raw materials | 30,000 |
| Work in progress | 310,000 |
| Purchase of raw materials | 1,720,000 |
| Labour (30% indirect) | 900,000 |
| Carriage on raw materials | 10,000 |
| Factory power | 440,000 |
| Depreciation on machinery | 110,000 |

Prepare a production cost statement. (9 marks)

14. (a) Explain four functions of a budget in an organisation. (8 marks)
- (b) Alpha Manufacturers produces a single product that passes through three processes I, II and III. During the month of February 2025, the following costs were incurred:

| | Process | | |
|------------------|---------|--------|--------|
| | I | II | III |
| | Ksh. | Ksh | Ksh |
| Direct materials | 30,000 | 22,000 | — |
| Direct labour | 25,000 | 22,000 | 28,000 |
| Direct expenses | 6,000 | — | 10,000 |

Additional information:

- I. Production overheads amounted to Ksh 150,000.
- II. Production overheads are absorbed by the processes based on direct labour.
- III. The output from processes III is transferred to finished goods account.

Prepare:

- (i) process I account.
- (ii) process II account.
- (iii) process III account.

(9 marks)

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