

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 an 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

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- 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 m<sup>2</sup>, 25 m<sup>2</sup> and 35 m<sup>2</sup> 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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