Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/42**

Paper 4 Cost and Management Accounting **February/March 2023**

MARK SCHEME

Maximum Mark: 50

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the February/March 2023 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

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GENERIC MARKING PRINCIPLE 5: Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).
GENERIC MARKING PRINCIPLE 6: Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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ANNOTATIONS

The following annotations are used in marking this paper and should be used by examiners.

Annotation	Use or meaning
✓	Correct and relevant point made in answering the question.
×	Incorrect point or error made.
LNK	Two statements are linked.
REP	Repeat
A	An extraneous figure
N0	No working shown
AE	Attempts evaluation
R1	Required item 1
R2	Required item 2
OF	Own figure
EVAL	Evaluation
NAQ	Not answered question
BOD	Benefit of the doubt given.
SEEN	Noted but no credit given
Highlight	Highlight
Off page Comment	Off page comment

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Abbreviations and guidance
The following abbreviations may be used in the mark scheme:

OF = own figure. The answer will be marked correct if a candidate has correctly used their own figure from a previous part or calculation.

W = working. The working for a figure is given below. Where the figure has more than one mark associated with it, the working will show where individual marks are to be awarded.

CF = correct figure. The figure has to be correct i.e. no extraneous items have been included in the calculation

Extraneous item = an item that should not have been included in a calculation, including indirect expenses such as salaries in calculation of gross profit when there is one **OF** mark for gross profit'

Curly brackets, }, are used to show where one mark is given for more than one figure. If the figures are not adjacent, each is marked with a curly bracket and a symbol e.g. **}***

row = all figures in the row must be correct for this mark to be awarded

Marks for figures are dependent on correct sign/direction

Accept other valid responses. This statement indicates that marks may be awarded for answers that are not listed in the mark scheme but are equally
valid.

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Question	Answer	Marks
1(a)	**Prepare the cash budget for <u>each</u> of the four months from January 2024 to April 2024.**	**7**

Cash budget for January to April 2024

	January	February	March	April	
	$	$	$	$	
Receipts					
Sales	56 000	59 500	61 200	59 200	
Payments					
Trade payables	27 100 **(1)**	28 600 **(1)**	30 200 **(1)**	33 300**(1)**	
Operating expenses	24 200	25 100	26 100	25 900	**}**
Loan repayment	8 000	0	0	0	**}(1) rows**
Capital expenditure	0	4 800	7 600	0	**}**
Total payments	59 300	58 500	63 900	59 200	
Net receipts/(payments)	(3 300)	1 000	(2 700)	0	
Balance b/f	3 000 **(1)**	(300)	700	(2 000)	
Balance c/f	(300)	700	(2 000)	(2 000) **(1)OF**	

Question	Answer	Marks
1(b)	**Prepare a revised cash budget for <u>each</u> of the four months from January 2024 to April 2024 on the basis of this director's suggestion.**	**11**

Cash budget for January to April 2024

	January	February	March	April	
	$	$	$	$	
Receipts					
Sales	56 000	59 500	61 200	59 200	
Payments					
Cash purchases **(W1)**	13 585 **(1)**	14 725 **(1)**	15 675 **(1)**	16 150 **(1)**	
Trade payables	15 215 **(1)**	14 875 **(1)**	11 825 **(1)**	17 150 **(1)**	
Operating expenses	24 200	25 100	26 100	25 900	**}**
Loan repayment	8 000	0	0	0	**}(1) rows**
Capital expenditure	0	4 800	7 600	0	**}**
Total payments	61 000	59 500	61 200	59 200	
Net receipts/(payments)	(5 000)	0	0	0	
Balance b/f	3 000 **(1)**	(2 000)	(2 000)	(2 000)	
Balance c/f	(2 000)	(2 000)	(2 000)	(2 000) **(1)OF**	

Question	Answer	Marks
1(b)	**W1** January 28 600 × 0.5 × 0.95 = 13 585 February 31 000 × 0.5 × 0.95 = 14 725 March 33 000 × 0.5 × 0.95 = 15 675 April 34 000 × 0.5 × 0.95 = 16 150	
1(c)	**Advise the directors whether or not they should accept the suggestion to make half of the purchases in cash. Justify your answer.** The discount would increase profits **(1).** Relationships with the suppliers of the cash purchases could improve **(1).** The business would be operating at the maximum overdraft **(1)** which could produce financial constraints should other demands occur **(1)** and this would increase interest payable **(1)** and decrease profits **(1).** The bank overdraft limit might need to be renegotiated **(1).** Relationships with suppliers of credit purchases would be likely to deteriorate **(1)** as they would be waiting for longer for their money **(1).** Interest may become payable on overdue accounts **(1).** If additional funds could be made available in January or if other expenditure could be delayed, some or all of the opening trade payables could be paid off, and the increase in payment period could be avoided **(1).** The problems arising from the introduction of the new approach would be largely short term and the advantages of it could become more apparent in the longer term **(1).** **Accept other valid responses.** **Max 6 marks** for comments **1 mark** for decision supported with comment	**7**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)</td><td>State what is meant by the term ‘cost driver’.

An activity which causes costs to be incurred in the production process (1)</td><td>1</td></tr>
<tr><td>2(b)</td><td>Calculate the <u>total</u> profit or loss made from the production of <u>each</u> product for a year.

<table>
<tr><td></td><td>Product A
$</td><td></td><td>Product B
$</td><td></td></tr>
<tr><td>Net revenue</td><td>100 000</td><td></td><td>288 000</td><td>}</td></tr>
<tr><td>Scrap</td><td>4 000</td><td></td><td>4 800</td><td>}(1) both</td></tr>
<tr><td>Direct material</td><td>(30 750)</td><td></td><td>(152 950)</td><td>}</td></tr>
<tr><td>Direct labour</td><td>(50 000)</td><td></td><td>(138 000)</td><td>}(1) both</td></tr>
<tr><td>Machine set up</td><td>(1 280)</td><td>(1)</td><td>(3 200)</td><td>(1) OF</td></tr>
<tr><td>Quality inspections</td><td>(3 200)</td><td>(1)</td><td>(4 800)</td><td>(1)OF</td></tr>
<tr><td>Order processing</td><td>(1 900)</td><td>(1)</td><td>(3 600)</td><td>(1)OF</td></tr>
<tr><td>Depreciation</td><td>(6 840)</td><td>(1)</td><td>(8 360)</td><td>(1)OF</td></tr>
<tr><td>Profit/(loss)</td><td>10 030</td><td></td><td>(18 110)</td><td>(1)OF both</td></tr>
</table>
</td><td>11</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(c)</td><td>Calculate the revised <u>total</u> profit or loss made from the production of <u>each</u> product for a year if the surveillance cameras were introduced and all the returns were eliminated.

EITHER

<table>
<tr><td></td><td>Product A
$</td><td></td><td>Product B
$</td><td></td></tr>
<tr><td>Original profit/(loss)</td><td>10 030</td><td></td><td>(18 110)</td><td>(1)OF both</td></tr>
<tr><td>Loss of scrap</td><td>(4 000)</td><td></td><td>(4 800)</td><td>(1) both</td></tr>
<tr><td>Increase in revenue</td><td>25 000</td><td></td><td>43 200</td><td>(1) both</td></tr>
<tr><td>Cost of cameras</td><td>(7 200)</td><td></td><td>(10 800)</td><td>(1) both</td></tr>
<tr><td>Revised profit</td><td>23 830</td><td></td><td>9 490</td><td>((1)OF both</td></tr>
</table>
</td><td>5</td></tr>
</table>

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Question	Answer	Marks
2(c)	**OR**	

	Product A $		Product B $	
Net revenue	125 000		331 200	**(1) both**
Direct material	(30 750)		(152 950)	
Direct labour	(50 000)		(138 000)	
Machine set up	(1 280)		(3 200)	
Quality inspections	(10 400)	**(1)**	(15 600)	**(1)**
Order processing	(1 900)		(3 600)	
Depreciation	(6 840)		(8 360)	
Revised profit	23 830		9 490	**(1)OF both**

Plus **(1of)** mark for repeating costs from **(b)**

Question	Answer	Marks
2(d)	**Advise Simran whether or not she should install the system of surveillance cameras. Justify your answer.** Production of B turns from a loss to a profit. **(1)** The total production goes from a net loss to a profit. **(1)** Being monitored might encourage workers to work harder/more consistently as well as more attentively which could reduce the direct labour cost. **(1)** Fewer returns will improve customer perception due to quality improvement **(1)** but all returns may not be eliminated. **(1)** It might be better to increase the number of quality inspections**. (1)** The cause of the returns may need more investigation – there could be faulty components. **(1)** Workers may well be resentful/demotivated/demoralised. **(1)** There may be extra costs such as repairs and training. **(1)** If the camera system does not eliminate the returns Simran is obliged to go on paying for the cameras for the remainder of the three-year rental period. **(1)** Might it be cheaper in the long run to buy the cameras rather than renting them? **(1)** **Accept other valid responses.** **Max 5 marks** for comments. **1 mark** for decision supported with comment.	**6**
2(e)	**Comment on the suitability of the cost driver to account for the cost of the surveillance cameras.** The choice of cost driver does not affect the profit of the business as a whole **(1).** The cost is not related to the number of inspections taking place **(1).** A better cost driver might be the number of workers/total labour hours **(1).** **Max 2** **Accept other valid responses.**	**2**