Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/42**

Paper 4 Cost and Management Accounting **February/March 2025**

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INFORMATION

- This insert contains all of the sources referred to in the questions.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

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Source A for Question 1

T plc is a manufacturing business which uses activity based costing (ABC) to apportion certain costs. The following information is available.

1 The company manufactures two products: X and Y.
Annual production is 1000 units of X and 3000 units of Y.

2 The unit production costs of the products are as follows:

	X $	Y $
Direct materials	14.00	15.00
Direct labour	12.00	15.00
Direct overheads	10.00	11.00
Quality inspections	2.34	1.30
Machine set-ups	3.60	1.95
Factory rent	6.00	6.00
Total	47.94	50.25

3 Costs are apportioned using the following bases.

	X	Y
Quality inspections per year	300	500
Machine set-ups per year	40	65
Factory rent	per unit	

4 Selling prices are set at production cost plus 50%.

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Source B for Question 2

AG plc uses a system of budgetary control.

The company prepared the following budgets for periods ending March 2026.

1 Sales budget (all on credit)

	$
November	96 000
December	88 000
January	102 000
February	100 000
March	92 000

2 Trade receivables budget

	January $	February $	March $
Balance b/f	164 800	172 400	181 600
Sales	102 000	100 000	92 000
	266 800	272 400	273 600
Receipts – one month after sale	(17 600)	(20 400)	(20 000)
Receipts – two months after sale	(76 800)	(70 400)	(81 600)
Balance c/f	172 400	181 600	172 000

3 Budgeted statement of financial position at 31 March 2026

	$
Non-current assets	426 000
Current assets	
Inventory	91 000
Trade receivables	172 000
Total assets	689 000
Equity	
Share capital	500 000
Retained earnings	77 320
Current liabilities	
Bank overdraft	22 180
Trade payables	89 500
Total equity and liabilities	689 000

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