CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/42**

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

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 2025 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 descriptions 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.

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).

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.

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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 guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	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	Addition error (Arithmetic error)
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)(i)	**Discuss:** **whether or not apportioning the factory rent on a per unit basis is the most suitable way to apportion that cost.** It is simple to apply **(1)** but may not be realistic **(1)** and floor area might be a more suitable basis **(1).** **Max 2** **Accept other valid responses.**	**2**
1(a)(ii)	**Discuss:** **whether or not setting selling prices by use of a fixed mark-up is the most suitable way to set them.** It is also simple to apply **(1)** but does not consider the price that competitors may be charging **(1).** If costs reduce then a fixed percentage mark-up will reduce the profit **(1).** **Max 2** **Accept other valid responses.**	**2**
1(b)	**Calculate the total annual cost of quality inspections if production of Z takes place.** [(2.34 × 1000) + (1.3 × 3000)] **(1)** × 2 = $12 480 **(1)**	**2**
1(c)(i)	**Calculate the <u>increase</u> per year in the following costs which would occur if production of Z takes place.** **machine set ups** 13 020 – [(3.6 × 1000) + (1.95 × 3000)] **(1)** = $3570 **(1)**	**2**
1(c)(ii)	**Calculate the <u>increase</u> per year in the following costs which would occur if production of Z took place.** **factory rent** 30 000 – (4000 × 6) **(1)** = $6000 **(1)**	**2**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(d)</td><td>

Calculate the selling price of one unit of <u>each</u> product if production of Z takes place.

<table>
<tr><td></td><td>X
$</td><td>Y
$</td><td>Z
$</td><td></td></tr>
<tr><td>Direct costs</td><td>36.00</td><td>41.00</td><td>34.00</td><td>(1) row</td></tr>
<tr><td>Quality inspections
W1</td><td>2.88
(1)OF</td><td>1.60
(1)OF</td><td>2.40
(1)OF</td><td></td></tr>
<tr><td>Machine set ups W2</td><td>3.36</td><td>1.82</td><td>2.10</td><td>(1) row</td></tr>
<tr><td>Factory rent W3</td><td>5.00</td><td>5.00</td><td>5.00</td><td>(1) row</td></tr>
<tr><td>Total</td><td>47.24</td><td>49.42</td><td>43.50</td><td></td></tr>
<tr><td>Mark-up</td><td>23.62</td><td>24.71</td><td>21.75</td><td>(1)OF row</td></tr>
<tr><td>Selling price</td><td>70.86</td><td>74.13</td><td>65.25</td><td>(1)OF row</td></tr>
</table>

W1 Quality inspections
X 12 480 (OF) × 300/1300 × 1/1000 = 2.88
Y 12 480 (OF) × 500/1300 × 1/3000 = 1.60
Z 12 480 (OF) × 500/1300 × 1/2000 = 2.40

W2 Machine set ups
X 13 020 (CF) × 40/155 × 1/1000 = 3.36
Y 13 020 (CF) × 65/155 × 1/3000 = 1.82
Z 13 020 (CF) × 50/155 × 1/2000 = 2.10

W3 Factory rent
30 000/(1000 + 3000 + 2000) = 5.00

</td><td>8</td></tr>
<tr><td>1(e)</td><td>

Advise the directors whether or not they should reduce the number of quality inspections of product Z. Justify your answer

Once production is well established it should be clear to management that the quality is satisfactory **(1).**
Although a second member of staff has been employed it may be possible to reduce the hours which one or both are working/deploy them elsewhere **(1)** but this may demotivate other employees **(1).** However this will reduce total costs **(1)** and therefore the mark up / selling price **(1).**
If the salaries of the inspection staff are fixed **(1)** the total cost cannot be reduced **(1)** and the inspection cost apportioned to the other products will increase **(1).**
There may be an impact on quality **(1)** which may affect customer satisfaction **(1).**

Max 6
Decision supported with a comment (1)
Accept other valid responses

</td><td>7</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)(i)</td><td>State how a budget may be:

a motivating influence for staff

If staff are involved in the setting of the budgets they may be motivated (1).

Accept other valid responses</td><td>1</td></tr>
<tr><td>2(a)(ii)</td><td>State how a budget may be:

a demotivating influence for staff.

If the budgets are imposed on staff they may be demotivated (1).

Accept other valid responses</td><td>1</td></tr>
<tr><td>2(b)</td><td>Calculate the percentage of credit customers who pay in the month following sale.

20% (1)</td><td>1</td></tr>
<tr><td>2(c)</td><td>Prepare a revised trade receivables budget for February and March based on the directors' assumptions about the discount.

<table>
<tr><td></td><td>February
$</td><td></td><td>March
$</td><td></td></tr>
<tr><td>Balance b/f</td><td>172 400</td><td>*</td><td>120 400</td><td></td></tr>
<tr><td>Sales</td><td>100 000</td><td></td><td>92 000</td><td></td></tr>
<tr><td></td><td>272 400</td><td></td><td>212 400</td><td></td></tr>
<tr><td>Receipts – one month after sale</td><td>73 440</td><td>(1)</td><td>72 000</td><td>(1)</td></tr>
<tr><td>Discount</td><td>8 160</td><td>(1)</td><td>8 000</td><td>(1)</td></tr>
<tr><td>Receipts – two months after sale</td><td>70 400</td><td>*(1)</td><td>20 400</td><td></td></tr>
<tr><td>Balance c/f</td><td>120 400</td><td></td><td>112 000</td><td>(1)OF</td></tr>
</table>

*(1) for both items unaffected as pre-change</td><td>6</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(d)</td><td>Prepare a revised budgeted statement of financial position at 31 March 2026 based on the directors' assumptions about the discount.
<table>
<tr><td></td><td>$</td><td></td></tr>
<tr><td>Non-current assets</td><td>426 000</td><td></td></tr>
<tr><td>Current assets</td><td></td><td></td></tr>
<tr><td>Inventory</td><td>91 000</td><td></td></tr>
<tr><td>Trade receivables</td><td>112 000</td><td>(1)OF</td></tr>
<tr><td>Bank (-22180+43840)</td><td>21 660</td><td>(1)OF</td></tr>
<tr><td>Total assets</td><td>650 660</td><td></td></tr>
<tr><td>Equity</td><td></td><td></td></tr>
<tr><td>Share capital</td><td>500 000</td><td></td></tr>
<tr><td>Retained earnings (77320 – 16160)</td><td>61 160</td><td>(1)OF</td></tr>
<tr><td>Current liabilities</td><td></td><td></td></tr>
<tr><td>Trade payables</td><td>89 500</td><td></td></tr>
<tr><td>Total equity and liabilities</td><td>650 660</td><td>(1) if both totals agree</td></tr>
</table></td><td>4</td></tr>
<tr><td>2(e)</td><td>State <u>three</u> reasons why the company might find it useful to prepare its budgets using spreadsheets rather than manually.

Arithmetical errors should be avoided. (1)
Speed of calculation will be improved. (1)
There is automatic recalculation if one variable is changed. (1)
Security can be enhanced with passwords. (1)
Multiple user applications may be available. (1)
'Sort' or 'select' functions may be useful. (1)
Enhanced presentation. (1)

Max 3
Accept other valid responses</td><td>3</td></tr>
<tr><td>2(f)</td><td>State <u>two</u> advantages of using variance analysis.

Measures the deviation from budgeted costs and revenues (1)
Identify reasons / causes of deviations (1)
Leads to improvements in future plans / take remedial action (1)

Max 2
Accept other valid responses</td><td>2</td></tr>
</table>

Question	Answer	Marks
2(g)	**Advise the directors whether or not they should make one of the supervisors redundant. Justify your answer.** The fixed overhead expenditure variance would have been $10 000 favourable **(1)** and so the problem may not lie with the amount spent **(1)** so much as with actual output being less than budgeted **(1).** Redundancy costs might be incurred **(1)** and labour efficiency might be affected adversely **(1)** which may lead to defective production **(1)** which may lead to customers not being satisfied **(1).** When the next budget is set the budgeted fixed overheads will fall **(1).** The change would save money / improve profitability **(1)** but the remaining supervisor may be demotivated **(1).** **Max 6** **Decision supported with a comment (1)** **Accept other valid responses**	**7**

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