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Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

* 4 4 6 3 3 2 6 4 7 8 *

ACCOUNTING **9706/42**

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

1 hour

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use an HB pencil for any diagrams, graphs or rough working.
- You may use a calculator.
- You should present all accounting statements in good style.
- You should show your workings.

INFORMATION

- The total mark for this paper is 50.
- The number of marks for each question or part question is shown in brackets [ ].
- The insert contains all of the sources referred to in the questions.

This document has **12** pages. Any blank pages are indicated.

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[Turn over

1 Read Source A in the insert.

(a) Discuss:

(i) whether or not apportioning the factory rent on a per unit basis is the most suitable way to apportion that cost.

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(ii) whether or not setting selling prices by use of a fixed mark-up is the most suitable way to set them.

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Additional information

The company is considering starting production of a third product, Z. This would affect costs and revenues as follows:

1 The number of units of X and Y being manufactured would be unchanged. Production of Z would be 2000 units per year.

2 The direct costs of X and Y would be unchanged. The total direct cost of one unit of Z would be $34.

3 Products X and Y would continue to have the same number of quality inspections and machine set-ups. Product Z would have 500 inspections and 50 set-ups.

Because of the increase in the number of quality inspections, an additional inspector would have to be employed. This would double the total cost of quality inspections per year.

The increase in the number of machine set-ups would increase the total cost, which would become $13 020.

4 The increase in production would necessitate the rental of additional floor space. This would increase the total cost of factory rent which would become $30 000. This would continue to be apportioned on a per unit basis.

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(b) Calculate the **total** annual cost of quality inspections if production of Z takes place.

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(c) Calculate the **increase** per year in the following costs which would occur if production of Z takes place.

(i) machine set-ups

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(ii) factory rent.

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(d) Calculate the selling price of one unit of **each** product if production of Z takes place.

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Additional information

The directors think that in the second year of production of Z the company should reduce the number of quality inspections it makes for the new product.

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

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2 Read Source B in the insert.

(a) State how a budget may be:

(i) a motivating influence for staff

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(ii) a demotivating influence for staff.

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(b) Calculate the percentage of credit customers who pay in the month following sale.

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Additional information

The directors believe that too much cash is tied up in trade receivables and wish to see the credit customers pay sooner.

They would like to see the effect of offering customers a 10% cash discount on sales made after 1 January 2026 if payment is received in the month after sale.

They think that 80% of customers will then pay in the month after sale and receive the discount, with the remainder paying in the month after that.

(c) Prepare a revised trade receivables budget for February and March based on the directors' assumptions about the discount.

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(d) Prepare a revised budgeted statement of financial position at 31 March 2026 based on the directors' assumptions about the discount.

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(e) State **three** reasons why the company might find it useful to prepare its budgets using spreadsheets rather than manually.

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Additional information

When actual results become available, they are reviewed with the aid of variance analysis.

(f) State **two** advantages of using variance analysis.

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Additional information

When the most recent actual results were available, they were analysed. The analysis showed a total fixed overhead variance of $4000 adverse, and a fixed overhead volume variance of $14 000 adverse.

The directors are concerned that these variances are adverse and have decided to reduce the fixed overheads of the business.

The fixed overheads include the salaries of two supervisors who oversee the activities of the machine operatives. The directors are considering making one of these supervisors redundant.

(g) Advise the directors whether or not they should make one of the supervisors redundant. Justify your answer.

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