Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/43**

Paper 4 Cost and Management Accounting **May/June 2023**

INSERT **1 hour**

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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

Barry has performed a survey of a farmer's field which is on the site of an ancient settlement. He has government permission to dig up items from that settlement and sell them to museums around the world as long as he pays a percentage of the proceeds to the government.

The following information is available.

Payment to the farmer for the right to dig in the field for 4 years	$100 000, all paid before the dig starts
Estimated sales proceeds from museums	$500 000 over 4 years Proceeds are expected to be received in line with the progress of the dig
Payment to government	10% of proceeds, paid in the year in which the proceeds are received

The progress of the dig, with regard to the removal of the ancient items, and the additional associated costs are expected to be as follows:

Year	Progress of the dig	Costs $
1	45%	116 500
2	25%	98 500
3	20%	67 000
4	10%	23 000

Barry uses a cost of capital of 10%. The discount factors for this rate are as follows:

Year	Discount factor
1	0.909
2	0.826
3	0.751
4	0.683

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Source B for Question 2

AD plc makes one type of product, the demand for which is highly seasonal. The sales manager estimated that **demand** in the coming months, beginning December, would be as follows:

Month	Units
December	5 800
January	6 000
February	8 400
March	12 800
April	11 800
May	9 600

It was the policy of the company to maintain the inventory of finished goods at maximum 25% of the following month's sales. Sometimes it was not possible for the business to produce enough units in a month both to meet demand from customers and maintain the desired level of closing inventory. At these times the business treated the meeting of demand as more important than maintaining the closing inventory.

The maximum number of units which could be produced in one month was 10 000.

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