Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

4041562800

ACCOUNTING **9706/42**

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

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 **8** pages. Any blank pages are indicated.

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1 Read Source A in the insert.

(a) Calculate:

(i) the net cash flow for **each** year and in **total** for the project

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..... [4]

(ii) the accounting rate of return (ARR) to **two** decimal places.

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..... [3]

Additional information

Hiram's cost of capital was 10%. The relevant discount factors were as follows:

Year	Discount factors
1	0.909
2	0.826
3	0.751
4	0.683

(b) Calculate the net present value (NPV) of the project.

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Additional information

As Hiram remained undecided as to whether he should proceed, the residents made a further suggestion.

In addition to the sea wall, Hiram could build an extension to enable local fishermen to land their catches more easily. This would add $20 000 to the building cost.

The residents believed that if the extension was built, it would result in a **further** increase of another 20 new houses being built in **each** of the years 2, 3 and 4.

(c) Calculate the **change** in NPV which would arise if the extension was also built. Your answer should indicate whether the change is an increase or a decrease.

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(d) Advise Hiram whether or not he should agree to build the sea wall and the extension. Justify your answer.

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..... [7]

[Total: 25]

2 Read Source B in the insert.

(a) Complete the following statement to reconcile the flexible budgeted profit with the actual profit for April 2023.

Statement to reconcile flexible budgeted profit and actual profit for April 2023

	$	$	$
Flexible budgeted profit			25 500
Variance	Favourable	Adverse	
Sales price			
Material price			
Material usage			
Labour rate			
Labour efficiency			
Fixed overhead expenditure			
Fixed overhead volume			
Actual profit			

Workings:

[15]

Additional information

The directors of QW plc discovered that the company was losing customers because they preferred the competitor's product as it was recyclable. QW plc's product was made of non-recyclable material.

(b) Explain **one** possible reason for the material price variance.

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(c) Explain **one** possible reason for the labour efficiency variance.

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(d) Advise the directors whether or not they should replace the existing material used in production with a recyclable material. The recyclable material would cost $24 per kg. Justify your answer and support it with relevant calculations.

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..... [6]

[Total: 25]

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