Cambridge Assessment International Education

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ACCOUNTING **9706/42**

Paper 4 Cost and Management Accounting **May/June 2024**

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

PM plc is a manufacturing company. Its sales budget for 2025 includes the following:

	Sales (units)
April	1000
May	1200
June	1500
July	1300
August	1100

It is the policy of the company that the inventory of finished goods at the end of each month should equal 20% of the expected sales in the coming month.

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Source B for Question 2

Sooraj owns a factory which makes two products: Product A and Product B. He uses activity based costing (ABC).

The following information is available.

1 Annual production is 400 units of Product A and 500 units of Product B.

2 Budgeted per unit information includes:

	Product A	Product B
Total direct materials	$80	$66
Direct labour	3 hours at $11 per hour	6 hours at $13 per hour
Machine hours	3	6

3 Budgeted annual production overheads are all fixed costs and are comprised of:

	$	
Quality inspections	8 960	There are 210 inspections for Product A and 350 for Product B.
Order processing	12 800	There are 120 orders for Product A and 200 for Product B.
Depreciation	8 820	Machinery used has a carrying value of $54 000 for Product A and $72 000 for Product B.
Other overheads	18 000	These are apportioned on the basis of units produced.

4 Selling price for each product is calculated using a mark-up of 100% on production cost.

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