CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/43**

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

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.

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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
The following annotations are used in marking this paper and should be used by examiners.

Annotation	Use or 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	Attempts evaluation
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)	**Calculate the selling price of <u>one unit</u> of product A.**	**6**

	$	
Direct material	140	**(1)**
Direct labour	99	**(1)**
Quality inspections (12 000 × 180/500 × 1/200)	21.60	**(1)**
Order processing (18 000 × 240/360 × 1/200)	60	**(1)**
Other overheads (37400 × 1/680)	<u>55</u>	**(1)**
Cost	375.60	
Mark-up	<u>187.80</u>	
Selling price	<u>563.40</u>	**(1)OF**

OR

	$	
Direct material	28 000	**(1)**
Direct labour	19 800	**(1)**
Quality inspections (12 000 × 180/500)	4320	**(1)**
Order processing (18 000 × 240/360)	12 000	**(1)**
Other overheads (37 400 × 200/680)	<u>11 000</u>	**(1)**
Cost	75 120	
Mark-up	<u>37 560</u>	
Revenue	<u>112 680</u>	
Selling price	<u>56 340</u>	**(1)OF**

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Question	Answer	Marks
1(b)	**Calculate the change in selling price of one unit of product A which would arise if option 1 was implemented.**	**5**

	$		$	
Saving in direct material (140 × 10%)			14	**(1)**
Previous order processing cost	60	**(1)OF**		
New order processing cost **W1**	(32.64)	**(1)**	27.36	
Cost saving			41.36	
Mark-up			20.68	**(1)OF**
Reduction in selling price			62.04	**(1)OF**

OR

	$	
Direct material (140 × 90%)	126	**(1)**
Direct labour	99	
Quality inspections	21.60	
Order processing **W1**	32.64	**(1)**
Other overheads	55	
Cost	334.24	
Mark-up	167.12	**(1)OF**
New selling price	501.36	
Old selling price	(563.40)	**(1)OF**
Reduction in selling price	62.04	**(1OF)**

W1 (18 000 – 4944) × 120/240 × 1/200 = 32.64

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Question	Answer	Marks
1(c)	**Calculate the change in selling price of one unit of product A which would arise if option 2 was implemented.**	**5**

	$		$	
Previous direct labour cost	99			
New direct labour cost (9.9 × 8.70)	(86.13)		12.87	**(1)**
Previous inspection cost	21.60	**(1)OF**		
New inspection cost **W1**	(33.80)	**(1)**	(12.20)	
Cost saving			0.67	
Mark-up			0.33	**(1)OF**
Reduction in selling price			1.00	**(1)OF**

OR

	$	
Direct material	140	
Direct labour (9.9 × 8.70)	86.13	**(1)**
Quality inspections **W1**	33.80	**(1)**
Order processing	60	
Other overheads	55	
Cost	374.93	
Mark-up	187.47	**(1)OF**
New selling price	562.40	
Old selling price	(563.40)	**(1)OF**
Reduction in selling price	1.00	**(1)OF**

W1 (12 000 + 3080) × 260/580 × 1/200 = 33.80

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Question	Answer	Marks
1(d)	**Advise the directors whether or not they should implement either option 1 or option 2. Justify your answer.** **Option 1 (max 3)** This would lead to a considerable drop in selling price **(1)** which could stimulate demand and require an increase in production **(1).** What are competitors charging for this product? **(1)** If larger quantities of materials are bought at any one time, inventories will be larger and there is less chance of a stock-out **(1).** If larger quantities of material are bought at any one time there might be a need for additional storage facilities with associated costs **(1).** More cash could be tied up in inventory **(1).** The decrease in cost would cause a decrease in the mark-up leading to lower profit being earned on product A if sales volume was unchanged **(1).** The discount would increase the profit **(1)**. Because revised order processing costs are being apportioned across a smaller number of orders there is a knock-on effect on product B where costs and selling price increase by a small amount **(1).** Losing the junior purchasing clerk means that no-one is being trained up for when the chief purchasing clerk leaves/retires which could be detrimental to the smooth running of the business **(1).** **Option 2 (max 3)** There is a small reduction in cost and selling price **(1).** Such a small change is unlikely to make the product more attractive to customers **(1).** The reputation of the company could be affected by laying off the existing workers **(1)**. The change may cause quality of the product to decline **(1).** This allows workers to spend longer on each unit which may improve quality **(1).** There may be training costs for the less skilled workers **(1)**. It may not be easy to find enough replacement workers all at once **(1).** What is the company's plan if the quality inspections show up a lot of problem units? **(1)** **Decision supported by a comment (1)** **Accept other valid responses.**	**7**
1(e)	**Suggest <u>two</u> reasons why the directors had chosen to use activity based costing (ABC) rather than traditional costing methods in setting the selling prices.** ABC provides more accurate/realistic information. **(1)** It identifies how overheads have been incurred. **(1)** It identifies cost saving areas **(1)** It helps to identify whether the product should be continued. **(1)** **Accept other valid responses.** **Max 2**	**2**

Question	Answer	Marks
2(a)(i)	**Calculate the actual unit selling price.** 55 000/11 000 = 5 **(1)** 210 – 5 = $205 **(1)**	**2**
2(a)(ii)	**Calculate the unit selling price which would have given the same actual total contribution in April 2024 as the standard total contribution for the month** (57 750 – 4290 – 8360) **(1)**/11 000 = 4.10 **(1)** 210 + 4.10 = $214.10 **(1) OF** **OR** (55 000 + 57 750 – 4290 – 8360) **(1)**/11 000 = 9.10 **(1)** 205 + 9.10 = $214.10 **(1) OF**	**3**
2(a)(iii)	**Calculate the actual total quantity of direct materials used (in kilos)** 8360/7.60 = 1100 **(1)** (11 000 × 4) **(1)** – 1100 = 42 900 kilos **(1) OF**	**3**
2(a)(iv)	**Calculate the actual price paid per kilo of direct material** 4290/42 900 = 0.10 **(1) OF** 7.60 – 0.10 = $7.50 **(1) OF**	**2**
2(a)(v)	**Calculate the actual hours used by direct labour per unit.** 57 750/(10.50 × 11000) **(1)** = 0.5 **(1) OF** 3 + 0.5 = 3.5 hours **(1) OF**	**3**
2(b)	**Name the budget which P Limited would have prepared if actual sales units had been more or less than the standard 11000 units.** flexible budget statement **(1)**	**1**
2(c)	**Suggest <u>four</u> reasons why the company uses standard costs.** To help cost control/cost reduction **(1)** To provide a benchmark against which actual results can be compared **(1)** To help with decision making **(1)** To motivate staff **(1)** To use in estimating future requirements for materials or labour **(1)** To simplify the setting of selling prices **(1)** To simplify the valuation of inventory **(1)** To co-ordinate the different functions in the business whilst setting the standards **(1)** **Accept other valid responses.** **Max 4**	**4**

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Question	Answer	Marks
2(d)	Advise the directors whether or not they should use spreadsheets in the preparation of the company's budgets. Justify your answer. **For (max 3)** Arithmetical errors should be avoided. **(1)** Speed of calculation will be improved. **(1)** There is automatic recalculation if one variable is changed. **(1)** Enables 'what if' questions to be asked. **(1)** Security can be enhanced with passwords. **(1)** Information can be easily sent from one office/department to another. **(1)** Multiple user applications may be available. **(1)** 'Sort' or 'select' functions may be useful. **(1)** **Against (max 3)** Some staff may not be familiar with the software. **(1)** The budgets will still only be as good as the estimates made. **(1)** Security of data may be compromised. **(1)** Errors in data entry can be made. **(1)** Incorrect formulae can be used. **(1)** **Accept other valid responses.** **Decision supported by a comment (1)**	**7**