CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/42**

Paper 4 Cost and Management Accounting **May/June 2025**

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.

Cambridge International is publishing the mark schemes for the May/June 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

© Cambridge University Press & Assessment 2025

PUBLISHED

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.

© Cambridge University Press & Assessment 2025

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.

© Cambridge University Press & Assessment 2025

PUBLISHED

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).

© Cambridge University Press & Assessment 2025

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.

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.

© Cambridge University Press & Assessment 2025

Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	Correct and relevant point made in answering the question.
	Incorrect point or error made.
LNK	Two statements are linked.
REP	Repeat
A0	An extraneous figure
N0	No working shown
AE	Addition error (Arithmetic error)
R1	Required item 1
R2	Required item 2
OF	Own figure

© Cambridge University Press & Assessment 2025

Annotation	Meaning
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

© Cambridge University Press & Assessment 2025

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.

© Cambridge University Press & Assessment 2025

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)</td><td>Calculate the net cash flow for <u>each</u> year 1 to 4 for <u>Option 1</u>.
<table>
<tr><td>Year</td><td></td><td>$</td><td></td></tr>
<tr><td>1</td><td>4 000 × (80 – 52 – 3) – 60 000</td><td>40 000</td><td>(1)</td></tr>
<tr><td>2</td><td>5 000 × (80 – 52 – 3) – 60 000</td><td>65 000</td><td>(1)</td></tr>
<tr><td>3</td><td>5 000 × (82 – 52 – 3) – 60 000</td><td>75 000</td><td>(1)</td></tr>
<tr><td>4</td><td>6 000 × (86 – 52 – 3) – 64 000</td><td>122 000</td><td>(1)</td></tr>
</table></td><td>4</td></tr>
<tr><td>1(b)(i)</td><td>Calculate the net present value (NPV) for:

Option 1
<table>
<tr><td>Year</td><td>Net cash flow
$</td><td>Discount factor</td><td>Present value
$</td><td></td></tr>
<tr><td>0</td><td>(224 000)</td><td></td><td>(224 000)</td><td>(1)</td></tr>
<tr><td>1</td><td>40 000</td><td>0.909</td><td>36 360</td><td>}</td></tr>
<tr><td>2</td><td>65 000</td><td>0.826</td><td>53 690</td><td>}(1)OF</td></tr>
<tr><td>3</td><td>75 000</td><td>0.751</td><td>56 325</td><td>}*</td></tr>
<tr><td>4</td><td>122 000</td><td>0.683</td><td>83 326</td><td>}*(1)OF</td></tr>
<tr><td></td><td colspan="2">Net present value</td><td>5 701</td><td>(1)OF</td></tr>
</table></td><td>4</td></tr>
</table>

© Cambridge University Press & Assessment 2025

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)(ii)</td><td>

Calculate the net present value (NPV) for:

Option 2

<table>
<tr><td>Year</td><td>Net cash flow
$</td><td>Discount factor</td><td>Present value
$</td><td></td></tr>
<tr><td>0</td><td>(950)</td><td></td><td>(950)</td><td>(1)</td></tr>
<tr><td>1–3</td><td>1 500</td><td>2.486</td><td>3 729.0</td><td>(1)</td></tr>
<tr><td>4</td><td>1 800</td><td>0.683</td><td>1 229.4</td><td>(1)</td></tr>
<tr><td></td><td colspan="2">Net present value</td><td>4 008.4</td><td>(1)OF</td></tr>
</table>

Or

<table>
<tr><td>Year</td><td>Net cash flow
$</td><td>Discount factor</td><td>Present value
$</td><td></td></tr>
<tr><td>0</td><td>(950)</td><td>1.000</td><td>(950)</td><td>(1)</td></tr>
<tr><td>1</td><td>1 500</td><td>0.909</td><td>1 363.5</td><td>}</td></tr>
<tr><td>2</td><td>1 500</td><td>0.826</td><td>1 239.0</td><td>} (1)</td></tr>
<tr><td>3</td><td>1 500</td><td>0.751</td><td>1 126.5</td><td>}*</td></tr>
<tr><td>4</td><td>1 800</td><td>0.683</td><td>1 229.4</td><td>}* (1)</td></tr>
<tr><td></td><td colspan="2">Net present value</td><td>4 008.4</td><td>(1)OF</td></tr>
</table>

</td><td>4</td></tr>
</table>

© Cambridge University Press & Assessment 2025

Question	Answer	Marks
1(c)	**State what is meant by the payback period.** The time taken to recover the cost of an investment **(1)** **Accept other valid responses.**	**1**
1(d)	**Discuss whether Babar should take the payback period of the options into account when making a decision. Calculations are <u>not</u> required.** Payback considers cash flows **(1)** and not profit **(1)**. The shorter the payback period the less risky the option **(1)** as later cash flows are more uncertain than earlier ones **(1).** The more risk averse Babar is, the more he will look for an option which pays back quickly **(1).** Payback does not consider the cash flows which arise after the end of the payback period / the whole life of the project **(1)** and does not consider the time value of money **(1).** **Max 4** **Accept other valid responses.**	**4**
1(e)	**Advise Babar which option he should implement. Justify your answer.** Option 1 has the higher NPV **(1).** There is a higher initial outlay for option 1 **(1)** which may require financing **(1).** The payback period for option 1 is longer **(1)** so it is a riskier investment **(1).** Organising option 1 will involve considerably more work and stress than option 2 **(1).** Option 1 will provide employment opportunities for local people **(1).** If option 1 goes well Babar could bottle his own juice and sell it himself **(1).** For option 2 the tenant might stay longer than four years with no additional outlay **(1)** whereas continuation of option 1 would require the purchase of further machinery which will require funding **(1)**. **Max 6 for comments** **Decision supported with a comment (1)** **Accept other valid responses**	**7**

© Cambridge University Press & Assessment 2025

Question	Answer	Marks
1(f)	**Name <u>one</u> other method of investment appraisal which Babar could use.** Accounting rate of return / (ARR) **(1)** **OR** Internal rate of return / (IRR) **(1)**	**1**

© Cambridge University Press & Assessment 2025

Question	Answer	Marks
2(a)	**Complete the following table to reconcile the standard profit for April 2025 with the actual profit using the required variances.** **Enter <u>each</u> variance in <u>either</u> the favourable or adverse column as appropriate.**	**14**

		$	$	$	
		Favourable	Adverse		
Standard profit				255 200	**(1)**
Sales price variance	11 000(92.5 – 85)		82 500		**(2)**
Material price variance	46 200(4.6 – 2.5)	97 020			**(2)**
Material usage variance	4.6(44 000 – 46 200)		10 120		**(2)**
Labour rate variance	39 600(11.2 – 11)		7 920		**(2)**
Labour efficiency variance	11(33 000 – 39 600)		72 600		**(2)**
Total fixed overhead variance	(17.9 × 11 000) – 21 2000		15 100		**(2)**
		97 020	188 240	(91 220)	
Actual profit				163 980	**(1)**

Note – marks for variance are **(1)** for amount and **(1)** for correct direction (column -favourable or adverse)

© Cambridge University Press & Assessment 2025

Question	Answer	Marks
2(b)	**Discuss whether variance analysis is useful in this situation.** Shows the differences between budget and actual **(1)** caused by this change in materials **(1).** It shows how it affects other variances **(1),** for example workers being less efficient as they are not experienced with the materials, wastage etc **(1).** Indicates where changes may be made to improve outcomes / take remedial action or suitable example such as training **(1).** Helps to plan more realistic and attainable goals **(1).** The standards being used are unlikely to be realistic **(1).** Not useful in assessing performance when changes are beyond the control of the business **(1).** Accept other valid answers **Max 4** **Accept other valid responses**	**4**

© Cambridge University Press & Assessment 2025

Question	Answer	Marks
2(c)	**Advise the directors whether or not they should continue with the change in material. Justify your answer and support it with relevant calculations.** **Calculations** Price rise of metal would have reduced profit by 44 000 × (7.80 – 4.60) = $140 800 **(1)** compared to the actual reduction in profit of $91 220 **(1).** **Continue (Max 2)** Product is still profitable **(1).** Profit is higher than if the business uses metal, given its price rise **(1).** Customers have not been let down **(1).** Plastic is cheaper than metal **(1).** As new type of production becomes established some adverse variances may improve **(1).** Business is able to maintain operating at full capacity **(1).** **Do not continue (Max 2)** The quality may be adversely affected **(1).** Sales have decreased / product may become harder to sell in the future **(1).** The brand image may be damaged **(1).** There may be environmental concerns **(1).** May require a shorter warranty period **(1).** **Decision supported with a comment (1)** **Accept other valid responses**	**7**

© Cambridge University Press & Assessment 2025