CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/43**

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.

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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.

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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).

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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.

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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

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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

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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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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)</td><td>Complete the following table by calculating the net cash flow for <u>each</u> year of the project.
<table>
<tr><td>Year</td><td>Cost</td><td>Equipment</td><td>Tickets</td><td>Rental</td><td>Fixed costs</td><td>Administrative costs</td><td>Net cash flow</td></tr>
<tr><td></td><td>$</td><td>$</td><td>$</td><td>$</td><td>$</td><td>$</td><td>$</td></tr>
<tr><td>0</td><td>(57 000) (1)</td><td>(5 000) (1)</td><td></td><td></td><td></td><td></td><td>(62 000)</td></tr>
<tr><td>1</td><td></td><td></td><td>19 800</td><td>1 320}</td><td>(9 800)</td><td>(528)}**</td><td>10 792</td></tr>
<tr><td>2</td><td></td><td>(6 000) (1)</td><td>29 600</td><td>1 480}(1)</td><td>(9 800)</td><td>(592)}**(1)</td><td>14 688</td></tr>
<tr><td>3</td><td></td><td></td><td>36 000</td><td>1 800}*</td><td>(9 400)</td><td>(720)}***</td><td>27 680</td></tr>
<tr><td>4</td><td></td><td></td><td>36 000</td><td>1 800}*(1)</td><td>(9 100)</td><td>(810)}***(1)</td><td>27 890</td></tr>
<tr><td></td><td></td><td></td><td>(1) column</td><td></td><td>(1) column</td><td></td><td>(1)OF column</td></tr>
</table></td><td>10</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>Calculate the net present value (NPV) of the project, assuming that day tickets are sold.

<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>(62 000)</td><td></td><td>(62 000)</td><td>(1)OF</td></tr>
<tr><td>1</td><td>10 792</td><td>0.909</td><td>9 810</td><td>}</td></tr>
<tr><td>2</td><td>14 688</td><td>0.826</td><td>12 132</td><td>} (1)OF</td></tr>
<tr><td>3</td><td>27 680</td><td>0.751</td><td>20 788</td><td>}*</td></tr>
<tr><td>4</td><td>27 890</td><td>0.683</td><td>19 049</td><td>}*(1)OF</td></tr>
<tr><td></td><td></td><td>NPV =</td><td>(221)</td><td>(1)OF</td></tr>
</table></td><td>4</td></tr>
<tr><td>1(c)</td><td>Advise Waheed whether he should sell day tickets or annual tickets if he goes ahead with the project. Justify your answer. A recalculation of the NPV with annual tickets is <u>not</u> required.

Selling day tickets leads to a negative NPV which indicates that this should not be undertaken (1)
Selling annual tickets gives higher revenue (1) of $8 600 (1) from ticket sales which would improve the NPV (1). The increased revenue alone would cause the NPV to become positive (1).
Selling annual tickets will cause the variable administrative costs to fall (1) for example staff salaries may reduce (1).
The NPV calculations are based on estimates and Waheed has no certainty over how many tickets will be sold of either type (1).
If he is less confident about the sales of annual tickets then the risk increases (1).

Max 6
Decision supported with a comment (1)

Accept other valid responses.</td><td>7</td></tr>
</table>

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Question	Answer	Marks
1(d)	**State <u>two</u> advantages and <u>two</u> disadvantages of using ARR.** Advantages (**Max 2)** Simple to calculate and understand **(1)** It can be compared with present profitability **(1)** Multiple projects can be compared **(1)** Easy availability of information needed for the calculation **(1)** Disadvantages (**Max 2)** Does not consider cash flows **(1)** Does not take into account the timing of profits **(1)** Does not take into account the time value of money **(1)** Includes non-cash items such as depreciation which can be changed with different methods / subjectivity **(1)** Ignores the size of the project **(1)** **Accept other valid responses**	**4**

Question	Answer	Marks
2(a)	**Calculate the number of units expected to be in inventory at 31 May.** 200 – 4310 + 4280 = 170 units **(1)**	**1**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>Calculate the total amount shown in the cash budget for expenditure, other than payments to suppliers, in March.
<table>
<tr><td></td><td>$</td><td></td><td>$</td><td></td></tr>
<tr><td>Cash sales: March</td><td>22 750</td><td>(1)</td><td></td><td></td></tr>
<tr><td>Credit sales: February</td><td>21 250</td><td>(1)</td><td>44 000</td><td></td></tr>
<tr><td>Less:</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Cash purchases: March</td><td>2 720</td><td>(1)</td><td></td><td></td></tr>
<tr><td>Credit purchases: February</td><td>10 773</td><td>(1)</td><td></td><td></td></tr>
<tr><td>Credit purchases: January</td><td>11 205</td><td>(1)</td><td>(24 698)</td><td></td></tr>
<tr><td>Add:</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Increase in overdraft (6198-6000)</td><td></td><td></td><td>198</td><td>(1)</td></tr>
<tr><td>Other expenditure</td><td></td><td></td><td>19 500</td><td>(1)OF</td></tr>
</table></td><td>7</td></tr>
</table>

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Question	Answer	Marks
2(b)	**OR** Cash budget for March	

	March	
	$	
Receipts		
Cash sales March	22 750	**(1)**
Credit sales February	21 250	**(1)**
	44 000	
Payments		
Cash purchases March	2 720	**(1)**
Credit purchases February	10 773	**(1)**
Credit purchases January	11 205	**(1)**
Other expenditure	19 500	**(1)OF**
Total payments	44 198	
Net receipts/(payments)	(198)	
Balance b/f	(6 000)	**}**
Balance c/f	(6 198)	**} (1)**

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Question	Answer	Marks
2(b)	Workings: cash sales March $910 \times 50 \times 0.5$ credit sales February $850 \times 50 \times 0.5$ cash purchases March $850 \times 32 \times 0.1$ credit purchases February $840 \times 30 \times 0.9 \times 0.5 \times 0.95$ credit purchases January $830 \times 30 \times 0.9 \times 0.5$	
2(c)(i)	**Calculate the <u>effect</u> that option 1 would have on Terri's overdraft, assuming that there is no change to purchases, at the end of:** **April** Increase in cash sales (22 950 – 22 880) = $70 **(1)** decrease in overdraft **(1)**	**2**
2(c)(ii)	**Calculate the <u>effect</u> that option 1 would have on Terri's overdraft, assuming that there is no change to purchases, at the end of:** **May** $ Increase in receipts from credit customers 70 **(1)** Increase in cash sales from previous month 70 **OF** Decrease in overdraft **(1)** 140 **(1)OF**	**3**
2(d)(i)	**Calculate the <u>effect</u> that option 2 would have on Terri's overdraft, assuming there is no change to sales, at the end of:** **April** Increase in cash purchases (3 000 – 2 880) = $120 **(1)** increase in overdraft **(1)**	**2**

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Question	Answer	Marks
2(d)(ii)	**Calculate the <u>effect</u> that option 2 would have on Terri's overdraft, assuming there is no change to sales, at the end of:** **May** $ Increase in payments to credit suppliers (12 825 – 12 312) 513 **(1)** Increase in cash purchases from previous month 120 **OF** Increase in overdraft **(1)** 633 **(1)OF**	**3**

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Question	Answer	Marks
2(e)	**Advise Terri whether she should proceed with option 1 or option 2 or both. Justify your answer.** **Option 1 alone (Max 2)** This does improve the bank overdraft **(1)** but by such a small amount it may be of little use **(1).** It reduces the inventory level significantly **(1).** This increases the risk of a stock out **(1)**. It may bring about a cash saving in terms of storage/insurance if Terri continues to keep less inventory **(1).** The sales would still generate a positive contribution **(1).** The cut in selling price could increase demand **(1).** It might be difficult to achieve the expected level of sales in May **(1).** **Option 2 alone (Max 2)** This actually increases the bank overdraft **(1).** The amount of the increase would be still higher in June when the final payment for April's purchases is made **(1).** May meet excessive demands during busy periods **(1).** The contribution per unit, once the units are sold, will be higher **(1).** However Terri will hold a much higher level of inventory **(1)** which may be useful if unit purchase prices continue to rise **(1)** although storage/ insurance costs could increase **(1).** **Both (Max 2)** The net effect still increases the bank overdraft **(1).** However it softens the effect on the level of inventory **(1).** The gross profit per unit on the units sold in April ($20) is the same as if neither option was taken **(1)** but will be higher when the surplus is sold in May **(1).** **Decision supported with a comment (1)** **Accept other valid responses**	**7**

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