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Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

9142440890

ACCOUNTING **9706/43**

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

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 **12** pages. Any blank pages are indicated.

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[Turn over

1 Read Source A in the insert.

(a) Complete the following table by calculating the net cash flow for **each** year of the project.

Year	Cost $	Equipment $	Tickets $	Rental $	Fixed costs $	Administrative costs $	Net cash flow $
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Additional information

Waheed has a cost of capital of 10%. The discount factors for this are as follows:

Year	Discount factor
1	0.909
2	0.826
3	0.751
4	0.683

(b) Calculate the net present value (NPV) of the project, assuming that day tickets are sold.

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Additional information

Waheed was also considering selling annual tickets **instead of** day tickets. His best estimate of the sales of annual tickets was as follows:

Year	Number of annual tickets sold	Total revenue $
1	100	20 000
2	120	30 000
3	160	40 000
4	160	40 000

Waheed estimated that the income from renting out fishing equipment would be the same whichever type of ticket was sold.

Waheed feels less confident about his projected revenue figures under this option.

(c) 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 **not** required.

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Additional information

Waheed's brother uses the accounting rate of return (ARR) when considering his projects.

(d) State **two** advantages and **two** disadvantages of using ARR.

Advantages

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Disadvantages

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2 Read Source B in the insert.

(a) Calculate the number of units expected to be in inventory at 31 May.

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(b) Calculate the total amount shown in the cash budget in March for expenditure, other than payments to suppliers.

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Workings:

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Additional information

Terri is concerned about the expected bank overdrafts shown in the cash budget. She is considering two options.

Option 1

Terri could have a special promotion for the month of April **only**. She could reduce the selling price to $45 per unit for all sales, with the expectation that this would increase sales by an extra 140 units.

Option 2

Terri could take advantage of a special offer from her suppliers. She could increase her purchases in April by 300 units and be able to buy all her units in that month for $25 each.

(c) Calculate the **effect** that option 1 would have on Terri's overdraft, assuming that there is **no** change to purchases, at the end of:

(i) April

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(ii) May.

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(d) Calculate the **effect** that option 2 would have on Terri's overdraft, assuming there is **no** change to sales, at the end of:

(i) April

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(ii) May.

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(e) Advise Terri whether she should proceed with option 1 or option 2 or both. Justify your answer.

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