Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/41**

Paper 4 Cost and Management Accounting **October/November 2023**

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 October/November 2023 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

© UCLES 2023

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 descriptors 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.

© UCLES 2023

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.

© UCLES 2023

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).

© UCLES 2023

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.

© UCLES 2023

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

© UCLES 2023

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.

© UCLES 2023

Question	Answer	Marks
1(a)	**State <u>two</u> purposes of preparing a <u>cash</u> budget**. To identify any cash deficit so that funding, i.e. bank loan can be arranged in advance.**(1)** To identify any cash surplus so that cash can be fully utilized, i.e. investment **(1)** **Max 2** **Accept other valid responses.**	**2**
1(b)	**Prepare the cash budget for <u>each</u> of the months November, December and January.**	**12**

	November $		December $		January $	
Cash sales **W1**	39 000		45 000		37 500	**(1) row**
Two months credit after irrecoverable debt **W2**	317 520	**(1)**	370 440	**(1)**	343 980	**(1)**
	356 520		415 440		381480	
Suppliers **W3**	267 920		271 860		275 800	**(6)**
Operating expenses **W4**	129 450		129 450		129 450	**(1) row**
	397 370		401 310		405 250	
Surplus/deficit for the month	(40 850)		14 130		(23 770)	
Opening cash balance	95 000		54 150		68 280	
Closing cash balance	54 150		68 280		44 510	**(1)OF row**

Question	Answer	Marks
1(b)	**W1** $390 000 × 10% = $39 000; $450 000 × 10% = $45 000; $375 000 × 10% = $37 500 **W2** $360 000 × 90% × 98% = $317 520 $420 000 × 90% × 98% = $370 440 $390 000 × 90% × 98% = $343 980 **W3**	

	Oct $	Nov $	Dec $	Jan $	
Sales	420 000	390 000	450 000	375 000	
Cost of sales (2/3 of sales)	280 000	260 000	300 000	250 000	**(1) row**
Closing inventory (40% of next month's cost of sales)	104 000	120 000	100 000		
Opening inventory	(112 000)	(104 000)	(120 000)		**(1)both**
Purchases for the month	272 000	276 000	280 000		**(1) row**
Payment to suppliers with 1.5% cash discount		267 920	271 860	275 800	
		(1)	**(1)**	**(1)**	

$272 000 × 98.5% = $267 920
$276 000 × 98.5% = $271 860
$280 000 × 98.5% = $275 800

W4
Monthly depreciation [$124 000 × 15%] ÷ 12 = $1 550
$131 000 –$1 550 = $129 450

Question	Answer	Marks
1(c)	**Prepare the budgeted statement of profit or loss for the three-month budgeted period. Start your answer with the gross profit.**	**4**

			$	
Gross profit **W1**			405 000	**(1)**
Discount received **W2**			12 420	**(1)**
			417 420	
Operating expenses	393 000			
Irrecoverable debt **W3**	21 060	**(1)**	414 060	
Budgeted profit			3 360	**(1)OF**

W1
Sales for three months ($390 000 + $450 000 + $375 000) = $1 215 000
Gross profit $1 215 000 $\times \frac{1}{3}$ = $405 000

W2
($272 000 + $276 000 + $280 000) $\times$ 1.5% = $12 420

W3
($360 000 + $420 000 + $390 000) $\times$ 90% $\times$ 2% = $21 060

Question	Answer	Marks
1(d)	**Advise the directors which option, if either, they should choose. Justify your answer.** **Option 1 (Max 3)** Credit customers may not take the cash discount **(1)** Will cause cash inflow to be higher in the first month but lower thereafter **(1)** Cash will be received quicker **(1)** Irrecoverable debts will be reduced **(1)** Discount allowed will increase expenses / reduce profit **(1)** Discount allowed may or may not be compensated by the reduction of irrecoverable debts **(1)** **Option 2 (Max 3)** Discount received will be lost **(1)** Profit will be reduced **(1)** Cash saving will be reduced **(1)** A change of payment period from one month to two months may hamper the credibility with the suppliers **(1)** The cash outflow will be lower in the first month and higher thereafter **(1)** Cash will be held for a further month **(1)** **Accept other valid responses.** **(1) mark for decision supported by a comment (option 1, option 2 or neither)**	**7**

Question	Answer	Marks
2(a)	**State <u>two</u> benefits of variance analysis.** Planning / control – to achieve the predetermined target **(1)** Identify areas of strength and weakness **(1)** Assist in making forward-looking decision **(1)** **Max 2** **Accept other valid responses.**	**2**

Question	Answer	Marks
2(b)(i)	**Calculate the following variances:** **sales price** $146 000 / 2 000 = $73 $136 800 – ($73 × 1 800) = $5 400 **(1)** F **(1)**	**2**
2(b)(ii)	**sales volume (a measure of change in profit)** $14 000 / 2 000 = $7 (2 000 – 1 800) × $7 = $1 400 **(1)** A **(1)**	**2**
2(b)(iii)	**direct material total** $36 000 / 2 000 = $18 (1 800 × $18) – $33 408 = $1 008 **(1)** A **(1)**	**2**
2(b)(iv)	**direct labour total** $64 000 / 2 000 = $32 (1 800 × $32) – $58 752 = $1 152 **(1)** A **(1)**	**2**
2(b)(v)	**fixed overhead total.** $32 000 / 2 000 = $16 (1 800 × $16) – $33 920 = $5 120 **(1)** A **(1)**	**2**

© UCLES 2023

Question	Answer	Marks
2(c)	**Explain the likely reasons for the direct labour total variance calculated in <u>(b)(iv)</u>. Support your answer with the calculation of other relevant variances.** Standard labour rate ($64 000 / 2 000) ÷ 2 = $16 per hour Actual labour rate $58 752 / 3 456 = $17 per hour Labour rate variance is $58 752 – ($16 × 3 456) = $3 456**(1)** A**(1)** Reasons – wages rate increase as demanded by labour union, increase of minimum wages, inflation **(1)** Labour efficiency variance is [(2 × 1 800) – 3 456] × $16 = $2 304**(1)** F**(1)** Reasons – skilled labour, good supervision, less chance of machine breakdowns **(1)** **Accept other valid responses.** **(4)** marks for calculation of the two variances **(1)** mark for one reason for each of the two variances	**6**

© UCLES 2023

Question	Answer	Marks
2(d)	**Advise the directors whether or not they should change to the new supplier. Support your answer with relevant calculations.** **Calculations (Max 2)** The standard usage is 5 400 kilos (1 800 units × 3 kilos) **(1).** Actual usage for July: $33 408 / $6.40 = 5 220 kilos **(1)** The price increases from a standard price of $6 to $6.40 and further to $6.72 **(1)**. **Existing supplier (Max 2)** This suggests that the quality is good and lesser amount of direct material has been used. **(1)** If G Limited does not adjust the selling price, the profit will decrease. **(1)** Increasing selling price may reduce the demand. **(1)** **New supplier (Max 2)** The price is lower than the existing supplier. **(1)** A minimum of 10000 kilos per order suggests that G Limited must be very careful in inventory control/purchase budgeting **(1)** Otherwise, it will incur additional cost in the storage of inventory / spoilage costs. **(1)** The quality of direct material / reliability of supplier is uncertain **(1)** **Accept other valid responses.** **(1) for decision supported by a comment**	**7**

© UCLES 2023