CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/43**

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

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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

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)	**Define the term 'master budget'.** A master budget is a comprehensive financial plan **(1)**. **(1)** further development mark is to give identifying at least three components of the master budgets, including: • operating budget (sales budget, purchases budget, trade receivables budget and trade payables budget; • financial budget (cash budget, budgeted statement of profit or loss and budgeted statement of financial position) **Accept other valid responses.**	**2**

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Question	Answer	Marks
1(b)	**Prepare the cash budget for <u>each</u> of the months of January, February and March 2025.**	**14**

	January $		February $		March $	
Receipts from cash sales			30 000	**}**	36 000	**}(1)**
Receipts from credit customers **W1**					35 280	**(1)**
			30 000		71 280	
Expenditure						
Equipment	15 000	**}***				
		}*(1				
Salaries	16 000	**)**	20 000	**(1)**	25 000	**(1)**
Cash payment to a supplier	10 000	**(1)**	12 000	**(1)**	14 400	**(1)**
Payment to other suppliers **W2**			90 000	**(1)**	108 000	**(1)**
Other operating expenses **W3**	24 325	**(1)**	34 750	**}****	34 750	**}**(1)**
Sales commission					6 000	**(1)**
	65 325		156 750		188 150	
Net deficit for the month	(65 325)		(126 750)		(116 870)	**(1)OF row**

W1: 2500 × $60 × 80% × 30% × 98% = 35280

W2:

	January $	February $	March $	April $
Sales revenue		150 000	180 000	216 000
Cost of sales		100 000	120 000	144 000
Purchases	100 000	120 000	144 000	
Payment to credit suppliers 90%		90 000	108 000	

W3: Depreciation ($15 000 × 20%) / 12=$250
($35 000 – $250) = $34 750
$34 750 × 70% = $24 325

1(c)	**Calculate the total amount of capital that Mo has to invest on 1 January 2025.** ($65 325 + $126 750 + $116 870) **(1)OF** + $80 000 = $388 945**(1)OF**	**2**

Question	Answer	Marks
1(d)	**Advise Mo whether or not he should prepare a master budget every year. Justify your answer.** **For (max 3)** A master budget can serve the functions of planning **(1)**, controlling and monitoring etc **(1)**. A master budget would aid his plans to form a limited company **(1)**. If the business grows and the operations become more complex, the master budget will encourage responsibility accounting **(1)**. If his business is growing, budgeting can encourage a more efficient allocation of resources **(1)**. Budget can motivate employees **(1)** **Against (max 3)** He needs to hire a specialist, such as a management accountant to prepare the master budget **(1)**. He needs to have a good information/accounting system which takes time and is costly **(1)**. His business is still at its infant stage. Cost may exceed benefits in preparing a master budget every year **(1)**. In January 2025, he has limited resource of manpower to prepare a master budget **(1)**. Budget may also demotivate employees **(1)**. **Decision supported with a comment (1)** **Accept other valid responses.**	**7**

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Question	Answer	Marks
2(a)	**Calculate, to <u>two</u> decimal places, the <u>unit</u> selling price for <u>each</u> product using traditional absorption costing.** Product A $ / Product B $ Direct materials 21.00 / 25.00 **}row** Direct labour 56.00 / 80.00 **}row (1)** Production overheads **W1** 14.00 **(1)** / 20.00 **(1)** 91.00 / 125.00 Mark-up 40% 36.40 / 50.00 **row (1)OF** Selling price 127.40 / 175.00 **row (1)OF** **W1** Total direct labour hours (28 000 × 3.5) + (2 000 × 5) =108 000 Overhead absorption rate $432 000/108 000 = $4 per labour hour Product A $4 × 3.5= $14 Product B $4 × 5= $20	**5**
2(b)	**State <u>two</u> advantages and <u>two</u> disadvantages of ABC.** **Advantages (max 2)** More accurate cost information **(1)**. Assist in making better decision such as pricing **(1)**. Better understand the activities that cause costs **(1)**. Managers can focus on improving efficiency of the activities that will decrease cost **(1)**. Identify unprofitable products **(1)**. **Disadvantages (max 2)** Need to consider whether cost of implementing ABC exceeds the benefit **(1)**. It is only appropriate for a business producing multiple products **(1)**. It is time consuming because it takes a lot of time to collect and analyse data **(1)**. It is costly to employ specialist to collect and analyse data **(1)**. It may be difficult to associate costs to cost drivers **(1)**. **Accept other valid responses.**	**4**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(c)</td><td>

Calculate, to <u>two</u> decimal places, the total cost per <u>unit</u> for <u>each</u> product using ABC.

	A $	B $	
Direct materials	21.00	25.00	
Direct labour	56.00	80.00	
Production overheads **W1**	13.52	26.70	**(4) OF row**
Total unit cost	90.52	131.70	**(1) OF row**

W1

	$	$	
Machine set up \$90 000 × 320 / 400, \$90 000 × 80/400	72 000	18 000	**row (1)**
Inspection \$126 000 × 500/600, \$126 000 × 100/600	105 000	21 000	**row (1)**
Machining \$216 000 × 42 000/45 000, \$216 000 × 3 000/45 000	201 600	14 400	**row (1)**
	378 600	53 400	
Production overheads per unit	13.52	26.70	**row (1) OF**

</td><td>5</td></tr>
<tr><td>2(d)(i)</td><td>

Calculate the percentage change in the mark-up for Product B if ABC is adopted and the unit selling price remains the same as in <u>(a).</u>

Mark-up (\$175 **OF**-\$131.70)/\$131.70= 32.88% **(1)OF**
40% - 32.88%= a decrease of 7.12% **(1)OF**

</td><td>2</td></tr>
<tr><td>2(d)(ii)</td><td>

Explain why this change will happen.

The mark-up decreases because of higher total unit cost under ABC while the unit selling price remains unchanged **(1)OF**
Production overhead per unit under ABC of \$26.70 is higher than that under absorption costing of \$20 **(1)OF**

</td><td>2</td></tr>
</table>

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Question	Answer	Marks
2(e)	**Advise the directors whether or not they should set the selling prices in this way. Justify your answer.** Can help assessing the competitiveness in the market **(1)**. Can know at what selling price the customers are willing to pay **(1)**. Can monitor the selling price the competitor is able to charge **(1)**. Can help identifying the performance gap in the operations **(1)**. May not achieve the business's targeted mark-up **(1)**. The benchmarked selling price may not cover the total cost **(1)**. The selling price is subject to fluctuation **(1)**. The business is too passive in setting the selling price **(1)**. **Max 6 for comments** **Decision supported with a comment (1)** **Accept other valid responses.**	**7**

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