Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

6594981690

ACCOUNTING **9706/42**

Paper 4 Cost and Management Accounting **February/March 2023**

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 **8** pages. Any blank pages are indicated.

DC (LK) 311671/3

1 **Read Source A in the insert.**

(a) Prepare the cash budget for **each** of the four months from January 2024 to April 2024.

[7]

Additional information

One of the directors has made the suggestion that from 1 January 2024 the company should make half of its purchases in cash from some of the suppliers so as to receive a discount of 5%. The credit purchases would continue to be paid for in the month after purchase or as soon as funds allowed. The overdraft limit and the company policy on its overdraft would remain unchanged.

(b) Prepare a revised cash budget for **each** of the four months from January 2024 to April 2024 on the basis of this director's suggestion.

.... [11]

(c) Advise the directors whether or not they should accept the suggestion to make half of the purchases in cash. Justify your answer.

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.... [7]

[Total: 25]

2 Read Source B in the insert.

(a) State what is meant by the term ‘cost driver’.

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.... [1]

(b) Calculate the **total** profit or loss made from the production of **each** product for a year.

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Workings:

[11]

Additional information

Simran was concerned about the high volume of units being returned. She believed that the workers were not paying enough attention when assembling the products. She considered installing a system of surveillance cameras in the factory so that the workers could be monitored. She believed that this would totally eliminate the returns.

Simran would rent the camera system for a fixed period of three years. The costs of renting and monitoring the cameras would amount to $18 000 per annum. Simran decided that this would be added to the cost of the quality inspections. The increased total would then be allocated on the same basis as before.

(c) Calculate the revised **total** profit or loss made from the production of **each** product for a year if the surveillance cameras were introduced and all the returns were eliminated.

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(d) Advise Simran whether or not she should install the system of surveillance cameras. Justify your answer.

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.... [6]

(e) Comment on the suitability of the cost driver to account for the cost of the surveillance cameras.

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.... [2]

[Total: 25]

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