Cambridge International AS & A Level

ACCOUNTING **9706/42**

Paper 4 Cost and Management Accounting **February/March 2026**

INSERT **1 hour**

INFORMATION

- This insert contains all of the sources referred to in the questions.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

This document has **4** pages. Any blank pages are indicated.

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Source A for Question 1

P Limited manufactures two products, Alpha and Beta. Alpha is a machine-intensive product, and Beta is a labour-intensive product. The company has been using absorption costing, and fixed overheads are absorbed by each product on the basis of direct labour hours. The selling price of each product is set at a mark-up of 50%.

Budgeted information for the coming year is as follows:

	Alpha	**Beta**
production and sales (units)	2000	4000
direct materials per unit	$32	$36
direct labour per unit ($20 per hour)	$40	$80
machine hours per unit	1.60	0.7
fixed overheads	$360 000	

Source B for Question 2

GL Limited manufactures Product Y. A three-month budget, for January to March, was prepared two months in advance. Relevant information for the budget was provided as follows:

1 Sales

Units sold

January	**February**	**March**	**April**	**May**
1200	1400	1600	1500	1450

Selling price is $190 per unit.

2 Direct costs (per unit)

direct materials	4 kilos at $15 per kilo
direct labour	3 hours at $28 per hour

3 Fixed costs

Overhead absorption rate is $10 per labour hour.

4 Closing inventory

direct materials	10% of the following month's materials required for production
finished goods	30% of the following month's sales

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