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CAMBRIDGE
International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

0331355692

ACCOUNTING **9706/42**

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

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. Do **not** use correction fluid or tape.
- 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.

DC (WW) 354351/5

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

(a) Prepare a costing statement to show the unit selling price for **each** product, using absorption costing.

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Workings:

[5]

(b) Assess if it is appropriate for P Limited to use direct labour hours to allocate the fixed overheads to each product.

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.... [3]

Additional information

A new competitor selling similar products entered the market recently. The sales director found that the unit selling prices of Alpha and Beta are different from the competitor's products. The management accountant has suggested using activity based costing (ABC) to apportion the component fixed overheads with the appropriate cost drivers.

Further information is also available:

1 Budgeted fixed overheads are analysed as follows:

	$	cost drivers
machine set-up	104 000	number of machine set-ups
materials requisition	64 000	number of materials requisitions
machine operating expenses	72 000	number of machine hours
factory supervisors' salaries	120 000	number of labour hours
total budgeted fixed overheads	360 000	

2 Information on the activity usage is as follows:

	Alpha	Beta
number of machine set-ups	28	24
number of materials requisitions	12	18

(c) Define the term 'cost driver'.

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.... [1]

(d) Define the term 'activity based costing' (ABC).

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.... [2]

(e) Calculate the fixed overheads per unit for **each** product, using ABC.

Workings:

[5]

(f) Calculate the unit selling price for **each** product, using ABC.

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.... [2]

(g) Advise the directors whether or not ABC should be used in the coming years. Justify your answer, and support it with reference to **1(a)** and **1(f)**.

.... [7]

[Total: 25]

2 Read **Source B** in the insert.

(a) Define the term 'master budget'.

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.... [2]

(b) Prepare the following budgets for January, February and March.

(i) production (in units)

	January	February	March

[4]

(ii) purchases of direct materials (in kilos and dollars).

	January	February	March

[6]

Additional information

The actual results for the three-month period were as follows:

units produced and sold 4000

	$
sales	740 000
direct materials	252 720
direct labour	353 400
fixed overheads	131 000
profit	2 880

GL Limited conducted a variance analysis.

(c) Calculate the following variances:

(i) total materials

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(ii) total labour

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(iii) total fixed overheads.

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Additional information

The sales director proposed two options to boost sales:

option A to reduce the selling price to $180
option B to maintain the budget selling price of $190 and incur $40 000 for an advertising campaign.

(d) Advise the directors which option they should choose. Justify your answer, and support it with relevant calculations.

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[Total: 25]

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