



# Cambridge International AS & A Level

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## ACCOUNTING

9706/42

Paper 4 Cost and Management Accounting

May/June 2023

INSERT

1 hour

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## 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.



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

**Source A for Question 1**

Beachside is a village with 320 houses, the continued existence of which is threatened by rising sea levels. The residents approached Hiram, a building contractor, to suggest a project for building a sea wall to protect their village.

The cost to Hiram of building the wall would be \$400 000 payable at the start of the project. The local government was prepared to make a grant of \$142 000 in year 1.

The residents had together decided that each household would pay Hiram a fee of \$200 per annum, for each of the years 1 to 4.

The residents believed that the village would become a more desirable place to live if the wall was in place. They therefore told Hiram that they expected that 80 new houses would be built in **each** of the years 2, 3 and 4, and that the new households would pay the same fee per year as the existing households.

There would be no cash flows after the end of year 4.

**Source B for Question 2**

QW plc operates a system of standard costing. Standard data for one month in the fixed budget was as follows:

|                         |                                                   |
|-------------------------|---------------------------------------------------|
| Units produced and sold | 1000 units with a selling price of \$190 per unit |
| Direct material         | \$72 000 for material costing \$18 per kg         |
| Direct labour           | \$36 000 for 3000 hours                           |
| Fixed overheads         | charged at \$16 per direct labour hour            |

As time went by the company found it increasingly difficult to sell its product as customers were switching to a competitor's product.

Trying to maintain demand, the company reduced its selling price. It kept the existing workforce but reduced the hourly rate it paid.

Its **actual** results for April 2023 were as follows:

|                 |                                   |
|-----------------|-----------------------------------|
| Sales revenue   | \$123 750                         |
| Direct material | \$47 250 for 3150 kg              |
| Direct labour   | \$26 775 paid at \$10.50 per hour |
| Fixed overheads | \$46 200                          |

In April 2023 the company had only sold 750 units. It prepared a flexible budget statement which showed a **budgeted** profit of \$25 500 for April 2023.

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