



CANDIDATE
NAME

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CENTRE
NUMBER

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CANDIDATE
NUMBER

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9706/43

May/June 2023

1 hour

You will need: Insert (enclosed)

- 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.

- 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.

1 Read Source A in the insert.

(a) Calculate:

(i) the net present value (NPV) of the dig

[9]

(ii) the payback period

.....

.....

.....

.....

.....

..... [3]

(iii) the accounting rate of return (ARR).

.....

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..... [4]

(b) Advise Barry whether or not he should go ahead with the dig in the farmer's field. Justify your answer.

..... [7]

(c) State **two** disadvantages of using ARR for investment decisions.

1

2

[2]

[Total: 25]

2 Read Source B in the insert.

- (a) Prepare the production budget (in units) for **each** of the months from January to April.

[7]

- (b)** Explain how the budgeted revenue for the four months from January to April should be calculated.

..... [2]

Additional information

At present, storage space is limited, such that the maximum number of units which can be held in inventory is 3200.

- (c)** Advise the directors of the company whether or not they should invest in a new, larger storage facility. Justify your answer.

..... [7]

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