Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME			
CENTRE NUMBER		CANDIDATE NUMBER	

9205818265

ACCOUNTING **9706/41**

Paper 4 Cost and Management Accounting **May/June 2024**

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.

DC (SL) 341338

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

(a) Calculate the selling price of **one unit** of Product A.

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.... [6]

Additional information

The directors are considering ways in which to reduce the costs incurred by **Product A** so that its selling price can be reduced. They are considering two options.

Option 1

The directors think that the number of orders processed for Product A could be reduced by 50% if a larger quantity of material was bought with each order.

Discounts could then be earned reducing the direct material price by 10%.

The reduction in the number of orders processed would also mean that the junior purchasing clerk could be made redundant. This would reduce the total cost of order processing by $4944 per annum.

Option 2

This involves using workers in the factory who are less skilled than those employed at present. They would be paid $2.30 per hour less than the current budgeted rate.

These workers would be allowed to take 10% longer on each unit to compensate for their lower skill level.

There would be an increase of 80 quality inspections each year for Product A. This would increase the total cost of the inspections by $3080 per annum.

Under both options the rate of mark-up would be unchanged. There would be no change to the number of orders processed or inspections undertaken for Product B, and overheads would be apportioned in line with the revised level of each activity.

(b) Calculate the **change** in selling price of **one unit** of Product A which would arise if option 1 was implemented.

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(c) Calculate the **change** in selling price of **one unit** of Product A which would arise if option 2 was implemented.

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(d) Advise the directors whether or not they should implement either option 1 or option 2. Justify your answer.

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(e) Suggest **two** reasons why the directors had chosen to use activity based costing (ABC) rather than traditional costing methods in setting the selling prices.

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[2]

[Total: 25]

[Turn over

2 Read Source B in the insert.

(a) Calculate:

(i) the actual unit selling price

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(ii) the unit selling price which would have given the same actual total contribution in April 2024 as the standard total contribution for the month

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(iii) the actual total quantity of direct materials used (in kilos)

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(iv) the actual price paid per kilo of direct material

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(v) the actual hours used by direct labour per unit.

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(b) Name the budget which P Limited would have prepared if actual sales units had been more or less than the budgeted 11 000 units.

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(c) Suggest **four** reasons why the company uses standard costs.

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[4]

Additional information

P Limited has always prepared all its budgets manually. The directors are now considering the use of spreadsheets in preparing the budgets.

(d) Advise the directors whether or not they should use spreadsheets in the preparation of the company's budgets. Justify your answer.

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[Total: 25]