

Cambridge International AS & A Level

ACCOUNTING**9706/42**

Paper 4 Cost and Management Accounting

May/June 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.

Source A for Question 1

Y Limited produces and sells one type of product. The company is preparing budgets for the three-month period beginning 1 September.

The following information is available.

- 1 The budgeted sales in units are:

August	September	October	November	December
3200	3600	4200	5000	6600

The standard selling price will be \$60 per unit. Of the total sales, 10% will be for cash. Payment for credit sales is received in the following month.

- 2 All the goods sold will be produced one month in advance. The company keeps a minimum finished goods inventory of 500 units. In October, the company will produce more goods to increase the minimum finished goods inventory to 900 units.
- 3 Each unit of finished product requires 2 kg of material. The material cost, currently \$4.50 per kg, will increase to \$5 per kg in October. Y Limited uses just in time (JIT) material inventory management. The credit period for the material purchases will be two months, but the company will pay one month after the purchases to benefit from a 2% cash discount.
- 4 Workers are paid in the month of production at the rate of \$20 per unit. Wages will increase by 5% from November. Workers will also be paid a bonus of 10% of the basic rate on all production exceeding 4800 units. The bonus will be paid in the following month.
- 5 Fixed costs, excluding depreciation, are estimated to be \$60 000 up to September. They will increase by 5% **each** month until December. Of these costs, 80% will be paid in the month they will be incurred and the remainder will be paid in the following month.
- 6 An advertising expense of \$40 000 will be incurred and paid in October.
- 7 The cash balance on 1 September is expected to be \$18 000.

Source B for Question 2

H Limited currently produces a single product, P1. It is using absorption costing, and the production overheads are absorbed on a machine hour basis.

In the last few years, the sales of P1 have been stable and profit has been made. The company will produce a new product, P2, next year. Total production overheads for the next year are expected to be \$300 000.

The budgeted information for both products for the next year is as follows:

	P1	P2
units produced and sold	4000 units	2000 units
direct materials per unit	2 kg at \$20 each	2 kg at \$28 each
direct labour	3 hours at \$18 each	5 hours at \$30 each
machine hours per unit	4 hours	2 hours

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