



Cambridge International AS & A Level

ACCOUNTING

9706/41

Paper 4 Cost and Management Accounting

October/November 2025

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

The directors of X Limited are considering making a new product, Product P, which requires a specialised machine. The directors are also considering whether to buy a new machine or upgrade an old machine. A staff member has prepared the following estimates.

New machine	purchase cost \$400 000 with no residual value
Upgraded machine	upgrading cost \$220 000 with no residual value
Sales revenue	\$260 000 in Year 1, increasing by \$170 000 in Year 2 and by a further \$150 000 in Year 3. Sales revenue generated each year by both machines is the same
Operating costs (excluding depreciation)	\$160 000 in Year 1, increasing by \$80 000 in Year 2 and by a further \$100 000 in Year 3 Additional repair and maintenance cost of \$81 000 each year is required for the upgraded machine.

X Limited has a cost of capital of 10%. The relevant discount factors are as follows:

Year	10%	14%
1	0.909	0.877
2	0.826	0.769
3	0.751	0.675

Source B for Question 2

W Limited makes two products: L and M. Until last year, all overhead costs were allocated on the basis of direct labour hours. The directors are now considering using activity based costing (ABC) for the coming year.

The management accountant has provided the following information for the coming year.

	Production and sales (units)	Labour hours per unit	Labour hourly rate	Direct materials cost per unit
			\$	\$
Product L	2000	3	16	32
Product M	6000	2	16	28

The breakdown of the annual overhead costs of \$240 000 is as follows:

	\$
Machine set-ups	60 000
Inspections	108 000
Order processing	72 000
Total overheads	<u>240 000</u>

Further information is also provided:

	Number of machine set-ups	Inspection hours	Number of purchase orders
Product L	100	150	30
Product M	60	100	34

The company wishes to achieve a mark-up of 30% for both products.

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge Assessment International Education is part of Cambridge Assessment. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which is a department of the University of Cambridge.