Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/42**

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

G Limited has made a single type of product for three years and continues to do so. The company is preparing its budgets for the **second** quarter of 2026.

The following forecast information is available.

1 Sales forecast:

	February	March	April	May	June	July
Sales (units)	2600	2500	3200	3100	3000	2800

2 The selling price per unit is $80. It will increase by 5% in May. All sales are on credit, and customers are given two months' credit. However, 3% cash discount is allowed to those who pay within one month of sale. It is estimated that 25% of customers will settle their accounts within one month of sale.

3 Production of goods takes place one month before sale. Inventory of finished goods will be 5% of next month's sales.

4 Each unit of goods produced requires 3 kilos of direct material costing $8 per kilo. Purchases of direct material are made in the month of production with a credit period of one month.

G Limited keeps a base inventory of direct material. The base inventory at the end of February is expected to be 800 kilos but will reduce to 600 kilos from the end of May.

5 Direct wages and variable overheads of $20 per unit are paid in the month of production.

6 Monthly fixed overheads of $58 000 include depreciation amounting to $6000. Fixed overheads are paid in the month they are incurred and will be expected to increase by 7% from May due to inflation.

7 Promotion cost of $20 000 will be incurred in April.

8 The cash balance at 1 April is expected to be $38 000.

Source B for Question 2

C Limited produces product M. The company has adopted the following standards for August.

Units produced and sold	8000
Unit selling price	$82
Direct material	4 kilos at $5 per kilo
Direct labour	3 hours at $15 per hour
Fixed overhead	$2.80 per labour hour

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