



# Cambridge International AS & A Level

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**ACCOUNTING**

**9706/42**

Paper 4 Cost and Management Accounting

**February/March 2023**

INSERT

**1 hour**

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**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.



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This document has **4** pages. Any blank pages are indicated.

**Source A for Question 1**

AD plc uses a system of budgetary control. Its budgeted data for 2024 included the following:

	January	February	March	April
	\$	\$	\$	\$
sales	56 000	59 500	61 200	59 200
purchases	28 600	31 000	33 000	34 000
operating expenses	24 200	25 100	26 100	25 900
loan repayment	8 000			
capital expenditure		4 800	7 600	

The following information is also available.

- 1 The bank balance on 1 January 2024 is expected to be \$3000 and the trade payables are expected to amount to \$27 100 on that date.
- 2 The company has agreed an overdraft limit of \$2000 with the bank. It has a policy of never exceeding that limit. The interest on any overdraft is paid in June and December.
- 3 All sales are made for cash. Operating expenses are paid in the month in which they are incurred.
- 4 All purchases are on credit. The company seeks to pay its suppliers in the month following purchase, when funds allow. When there are insufficient funds to pay all the suppliers in the month following purchase, the company pays the maximum possible and the balance is carried forward and given priority for payment in the next month.
- 5 Loan repayment, \$8000, includes the accrued loan interest.
- 6 Capital expenditure is paid in the month in which it is incurred.

**Source B for Question 2**

Simran is a manufacturer who uses activity based costing (ABC).

She provided the following information for a year about the two products which she manufactures.

	Product A	Product B
Units produced and sold	2500	4600
Units returned	500	600
Selling price per unit	\$50	\$72
Direct material per unit	1.5 kilos at \$8.20 per kilo	3.5 kilos at \$9.50 per kilo
Direct labour per unit	2 hours at \$10 per hour	2.5 hours at \$12 per hour

Information about production overheads was as follows:

Overhead	Total annual cost \$	
Machine set ups	4 480	Machines are set up 80 times for product A and 200 times for product B.
Quality inspections	8 000	There are 40 inspections for product A and 60 for product B.
Order processing	5 500	190 orders for product A and 360 orders for product B are processed.
Depreciation of machinery	15 200	The net book value of machinery used for product A is \$45 000 and for product B \$55 000.

The units which were returned were all found to be faulty, and could only be sold for their scrap value of \$8 per unit.

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