



# Cambridge International AS & A Level

CANDIDATE  
NAME

CENTRE  
NUMBER

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CANDIDATE  
NUMBER

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## ACCOUNTING

9706/42

Paper 4 Cost and Management Accounting

May/June 2023

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. Any blank pages are indicated.

1 Read Source A in the insert.

(a) Calculate:

(i) the net cash flow for **each** year and in **total** for the project

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..... [4]

(ii) the accounting rate of return (ARR) to **two** decimal places.

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..... [3]

**Additional information**

Hiram's cost of capital was 10%. The relevant discount factors were as follows:

Year	Discount factors
1	0.909
2	0.826
3	0.751
4	0.683

(b) Calculate the net present value (NPV) of the project.

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..... [4]

**Additional information**

As Hiram remained undecided as to whether he should proceed, the residents made a further suggestion.

In addition to the sea wall, Hiram could build an extension to enable local fishermen to land their catches more easily. This would add \$20 000 to the building cost.

The residents believed that if the extension was built, it would result in a **further** increase of another 20 new houses being built in **each** of the years 2, 3 and 4.

(c) Calculate the **change** in NPV which would arise if the extension was also built. Your answer should indicate whether the change is an increase or a decrease.

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[7]



**2 Read Source B in the insert.**

- (a) Complete the following statement to reconcile the flexible budgeted profit with the actual profit for April 2023.

Statement to reconcile flexible budgeted profit and actual profit for April 2023

	\$	\$	\$
Flexible budgeted profit			25 500
Variance	Favourable	Adverse	
Sales price			
Material price			
Material usage			
Labour rate			
Labour efficiency			
Fixed overhead expenditure			
Fixed overhead volume			
	_____	_____	_____
	_____	_____	_____
Actual profit			_____

Workings:

[15]

**Additional information**

The directors of QW plc discovered that the company was losing customers because they preferred the competitor’s product as it was recyclable. QW plc’s product was made of non-recyclable material.

(b) Explain **one** possible reason for the material price variance.

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(c) Explain **one** possible reason for the labour efficiency variance.

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(d) Advise the directors whether or not they should replace the existing material used in production with a recyclable material. The recyclable material would cost \$24 per kg. Justify your answer and support it with relevant calculations.

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[Total: 25]

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