



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 2025

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 the net cash flow for **each** year 1 to 4 for **Option 1**.

.....

 [4]

Additional information

Babar has a cost of capital of 10%. The discount factors for this are:

Year	Discount factor
1	0.909
2	0.826
3	0.751
4	0.683

(b) Calculate the net present value (NPV) for:

(i) Option 1

.....

 [4]





[4]

Additional information

Babar's brother has told him that it is important to choose the option which has the shorter payback period.

(c) State what is meant by the payback period.

..... [1]

[1]

(d) Discuss whether Babar should take the payback period of the options into account when making a decision. Calculations are **not** required.

[4]





(e) Advise Babar which option he should implement. Justify your answer.

[7]

(f) Name **one** other method of investment appraisal which Babar could use.

..... [1]

[Total: 25]





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2 Read Source B in the insert.

(a) Complete the following table to reconcile the standard profit for April 2025 with the actual profit using the required variances.

Enter **each** variance in **either** the favourable or adverse column as appropriate.

	\$	\$	\$
	Favourable	Adverse	
Standard profit			
Sales price variance			
Material price variance			
Material usage variance			
Labour rate variance			
Labour efficiency variance			
Total fixed overhead variance			
Total			
Actual profit			

Workings:

[14]





[4]

(c) Advise the directors whether or not they should continue with the change in material. Justify your answer and support it with relevant calculations.

[7]





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