* 0000800000001 *

Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

* 3 3 9 8 3 8 1 1 4 3 *

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.

DC (PQ) 341053/1

[Turn over

1 **Read Source A in the insert.**

(a) Calculate the net cash flow for **each** year 1 to 4 for **Option 1**.

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.... [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

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.... [4]

(ii) Option 2.

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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.

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

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

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

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[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]

(b) Discuss whether variance analysis is useful in this situation.

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

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[Total: 25]

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