Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/41**

Paper 4 Cost and Management Accounting **October/November 2023**

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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.

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

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Source A for Question 1

P Limited sells one product. To prepare the cash budget for the three-month period ending on 31 January, the management accountant provided the following information.

1 P Limited has a mark-up of 50% on all sales.

2 Sales:

Actual sales		Budgeted sales		
September	October	November	December	January
$360 000	$420 000	$390 000	$450 000	$375 000

10% of sales are on a cash basis. The remaining customers pay two months after sales. It is estimated that 2% of the trade receivables will be irrecoverable.

3 All purchases are on credit. P Limited is allowed to pay two months after purchase. However, P Limited always pays one month after purchase to get a cash discount of 1.5%.

4 It is the policy of P Limited to maintain an inventory level at the end of each month sufficient to meet 40% of the sales of the coming month.

5 Depreciation and other operating expenses total $131 000 each month. The other operating expenses are paid in the month in which they are incurred.

6 Plant and equipment are depreciated at the rate of 15% per annum using the straight-line method. All the plant and equipment were bought three years ago for $124 000.

7 The cash at bank on 1 November would be $95 000.

Source B for Question 2

G Limited produces a single product and adopts absorption costing. The budgeted and actual results for the month of July are as follows:

	Budgeted	Actual
Products manufactured and sold (units)	2000	1800
	$	$
Sales	146000	136800
Direct material	36000	33408
Direct labour	64000	58752
Fixed overhead	32000	33920
Total costs	132000	126080
Profit	14000	10720

G Limited carried out variance analysis.

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