



Cambridge International AS & A Level

ACCOUNTING

9706/43

Paper 4 Cost and Management Accounting

October/November 2023

INSERT

1 hour



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.

Source A for Question 1

T Limited manufactures a single product and uses absorption costing. The fixed budget and the actual results for the month of April are as follows:

Production and sales (units)	Fixed budget 2000	Actual results 2 180
Sales revenue	\$ 184 000	\$ 196 200
Direct materials	84 000	113 796
Direct labour	60 000	55 590
Fixed overhead	18 000	18 400
Total cost	<u>162 000</u>	<u>187 786</u>
Profit	<u>22 000</u>	<u>8 414</u>

Source B for Question 2

The directors of W Limited are considering the purchase of a specialised machine, IM, to manufacture a product which has a product life of three years. They have two options.

Option 1 To buy an old model, IM3, a used machine. A major improvement on the machine is required if it is bought. W Limited has experience of using this model in the past.

Option 2 To buy the most recent model, IM8, a new machine.

The variable operating cost, \$4.80 per machine hour, is the same for either machine. Both machines will be depreciated using the straight-line method with no residual value. The selling price is \$52 per unit. The estimated sales, in units, are as follows:

Year 1	Year 2	Year 3
12 000	18 000	10 000

Further information is available:

	IM3	IM8
Maximum annual production capacity (units)	15 000	20 000
Purchase price	\$141 000	\$420 000
Cost of improvement	\$57 000	—
Machine hours per unit	5	4
Annual fixed overheads (including depreciation)	\$327 000	\$355 000

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