



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

October/November 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) Explain what is meant by 'activity based costing' (ABC).

[3]

[3]

(b) Calculate the overhead absorption rate if a single rate is used.

[1]

[1]

(c) Prepare the budgeted statement of profit or loss for **each** product if absorption costing is used.

[7]

(d) Prepare the budgeted statement of profit or loss for **each** product if ABC is used.

Workings:

[7]

(e) Advise the directors whether or not the ABC system should be adopted in setting selling prices for the coming years. Support your answer with reference to (c) and (d).

[7]

[Total: 25]

2 Read Source B in the insert.

(a) State **three** advantages of budgeting.

1

.....

2

.....

3

.....

[3]

(b) Prepare the following budgets for **each** of the months of May and June:

(i) trade receivables, showing the opening and closing balances for May and June

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Workings:

[7]

(ii) production (in units)

..... [4]

(iii) purchases (in dollars).

..... [4]

Additional information

During the budget committee meeting, the sales manager requested \$100 000 for a sales promotion for the existing product. The production manager requested the same amount for research and development for a new product. The accountant reported that due to a financial constraint only one of the requests could be allowed.

(c) Advise the budget committee which request should be allowed. Justify your answer.

[7]

[Total: 25]

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