Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME			
CENTRE NUMBER		CANDIDATE NUMBER	

3341494970

ACCOUNTING **9706/43**

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 **12** pages. Any blank pages are indicated.

DC (PQ) 312057/2

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

(a) Prepare the flexible budget statement for the month of April.

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(b) Calculate the following variances:

(i) sales price

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(ii) sales volume (as a measure of change in profit)

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(iii) fixed overhead expenditure

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(iv) fixed overhead volume.

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(c) Prepare a statement to reconcile the flexible budgeted profit as calculated in **(a)** with the actual profit. Your statement should start with the flexible budgeted profit.

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Additional information

An analysis of direct material variance shows that both the material price and material usage have an adverse variance. The directors of T Limited are considering changing the existing supplier. They have two potential suppliers to consider.

	Local supplier A	Overseas supplier B
Usage per unit after wastage	2.8 kilos	2.5 kilos
Purchase price per kilo quoted by supplier	$13.75	$15.40

(d) Advise the directors which supplier they should choose. Justify your answer and support it with relevant calculations.

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[Total: 25]

2 Read Source B in the insert.

(a) Prepare a statement showing the net cash flow for **each** year from Year 0 to Year 3 for:

(i) model IM3

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(ii) model IM8.

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Additional information

W Limited uses a cost of capital of 12%. The relevant discount factors are as follows:

year	discount factor
1	0.893
2	0.797
3	0.712

(b) State **two** advantages of using the net present value (NPV) method for investment appraisal.

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(c) Calculate the NPV for **each** model of machine.

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(d) Advise the directors which model W Limited should choose. Justify your answer.

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Additional information

If an additional improvement cost of $5000 were incurred at the end of Year 1, the production capacity of IM3 could be increased to 18 000 units.

(e) Calculate the **change** in NPV of IM3 if the additional cost is incurred.

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[Total: 25]

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