



Cambridge International AS & A Level

ACCOUNTING

9706/41

Paper 4 Cost and Management Accounting

October/November 2024

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

The sales budget, in units, for T Limited for the six months to 31 August 2025 is as follows:

| March | April | May | June | July | August |
|-------|-------|------|------|------|--------|
| 1120 | 1280 | 1220 | 1100 | 1200 | 1140 |

Further information is also available.

1 It is the company's policy to maintain an inventory level of:

- finished goods equal to 25% of the following month's budgeted sales
- direct materials equal to 10% of the following month's production needs.

2 Direct materials required per unit are:

4 kilos at \$10 per kilo.

Source B for Question 2

H Limited manufactures toys. To produce a new product, the company needs to purchase a new machine (Machine A) costing \$180 000 from a local company. Machine A's estimated useful life is four years and it will have zero scrap value.

The new product's life is four years. The estimated revenue and costs are as follows:

| Sales revenue | | Costs |
|--------------------------|-------|---|
| Unit selling price \$100 | | Direct materials – \$15 per unit Direct labour – \$24 per unit Fixed overhead (excluding depreciation) – \$90 000 per annum |
| Sales (in units) | | |
| year | units | |
| 1 | 2000 | |
| 2 | 3000 | |
| 3 | 4000 | |
| 4 | 1000 | |

H Limited's cost of capital is 10%.

Relevant discount factors are as follows:

| Year | 10% | 16% |
|------|-------|-------|
| 1 | 0.909 | 0.862 |
| 2 | 0.826 | 0.743 |
| 3 | 0.751 | 0.641 |
| 4 | 0.683 | 0.552 |

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