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Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME			
CENTRE NUMBER		CANDIDATE NUMBER	

* 3 5 4 3 5 3 8 5 7 5 *

ACCOUNTING **9706/41**

Paper 4 Cost and Management Accounting **October/November 2024**

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.

DC (SL) 337197/3

[Turn over

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

(a) Explain **two** advantages of preparing a budget.

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2 ....

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[4]

(b) Prepare the following budgets for T Limited for the months of **April**, **May** and **June**.

(i) production budget (in units)

	April	May	June

[4]

(ii) purchases budget (in kilos and dollars)

	April	May	June

[6]

Additional information

All goods are sold on a credit basis for $200 each. The credit period is 2 months. However, if the customers settle their accounts in the following month after sale, they will be allowed a discount of 3%. It is expected that 40% of the customers will take the discount.

(c) Prepare a trade receivables budget for the month of **June**, showing the opening and closing balances.

[4]

Additional information

The sales for December 2025 are expected to be high. The directors have been informed that the maximum supply of direct materials for the months of November and December will be reduced. The directors have two options.

Option 1 Reduce the production.

Option 2 Buy the shortage from a new supplier at the cost of $15 per kilo.

(d) Advise the directors which option they should choose. Justify your answer.

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.... [7]

[Total: 25]

2 Read Source B in the insert.

(a) Explain how the internal rate of return (IRR) can be used to make a capital investment decision.

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.... [4]

(b) Calculate for Machine A:

(i) the net present value (NPV)

[6]

(ii) the internal rate of return (IRR)

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(iii) the accounting rate of return (ARR).

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Additional information

H Limited can buy a similar machine (Machine B) from an overseas company at a cost of $160 000. Everything remains unchanged except that there will be an increase in direct materials cost and direct labour cost. The result of the investment appraisal of Machine B is:

NPV	$23 392
IRR	17.30%
ARR	20.94%

(c) Advise the directors which machine they should buy. Justify your answer.

.... [7]

[Total: 25]