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ACCOUNTING **9706/41**

Paper 4 Cost and Management Accounting **October/November 2023**

INSERT **1 hour**

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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.

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Source A for Question 1

P Limited sells one product. To prepare the cash budget for the three-month period ending on 31 January, the management accountant provided the following information.

1 P Limited has a mark-up of 50% on all sales.

2 Sales:

Actual sales		Budgeted sales		
September	October	November	December	January
$360 000	$420 000	$390 000	$450 000	$375 000

10% of sales are on a cash basis. The remaining customers pay two months after sales. It is estimated that 2% of the trade receivables will be irrecoverable.

3 All purchases are on credit. P Limited is allowed to pay two months after purchase. However, P Limited always pays one month after purchase to get a cash discount of 1.5%.

4 It is the policy of P Limited to maintain an inventory level at the end of each month sufficient to meet 40% of the sales of the coming month.

5 Depreciation and other operating expenses total $131 000 each month. The other operating expenses are paid in the month in which they are incurred.

6 Plant and equipment are depreciated at the rate of 15% per annum using the straight-line method. All the plant and equipment were bought three years ago for $124 000.

7 The cash at bank on 1 November would be $95 000.

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Source B for Question 2

G Limited produces a single product and adopts absorption costing. The budgeted and actual results for the month of July are as follows:

	Budgeted	Actual
Products manufactured and sold (units)	2 000	1 800
	$	$
Sales	146 000	136 800
Direct material	36 000	33 408
Direct labour	64 000	58 752
Fixed overhead	32 000	33 920
Total costs	132 000	126 080
Profit	14 000	10 720

G Limited carried out variance analysis.

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