

# Cambridge International AS & A Level

CANDIDATE NAME						
CENTRE NUMBER			CAND NUME	DIDATE BER		

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.

Rea	ad Source A in the insert.		
(a)	Explain what is meant by 'activity based costing' (ABC).		
			[3]
(b)	Calculate the overhead absorption rate if a single rate is u	used.	
			[41
			[1]
(c)	Prepare the budgeted statement of profit or loss for each used.		
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1

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

	M1 \$	V1 \$
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]

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State three advantages of budgeting.	
1	
2	
3	
	[
Prepare the following budgets for <b>each</b> of the months of May and June:	
(i) trade receivables, showing the opening and closing balances for May and June	
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[7]

(ii)	production (in units)
	[4]
(iii)	purchases (in dollars).
	[4]

[Total: 25]

#### **Additional information**

During the budget committee meeting, the sales manager requested \$100000 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]

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