



# Cambridge International AS & A Level

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**ACCOUNTING**

**9706/42**

Paper 4 Cost and Management Accounting

**October/November 2024**

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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This document has **4** pages. Any blank pages are indicated.

**Source A for Question 1**

T Limited manufactures one product which has been on the market for many years. It operates a standard costing system. The budgeted sales for August were 2000 units.

The standard unit cost comprises:

|  |            |
|--|------------|
|  | \$         |
| Direct material (3 kilos at \$8 each)        | 24         |
| Direct labour (4 hours at \$15 each)         | 60         |
| Fixed overhead (4 labour hours at \$10 each) | 40         |
|  | <u>124</u> |

Variance analysis has been carried out for August. The actual result and the relevant variances are as follows:

| Actual result    |              | Variances                              |
|------------------|--------------|--|
| Sales (in units) | 1 800        |  |
|                  | \$           |  |
| Sales            | 239 400      | Sales price \$5 400 (F)                |
| Direct materials | (44 640)     | Total direct material \$1 440 (A)      |
| Direct labour    | (106 020)    | Total direct labour \$1 980 (F)        |
| Fixed overhead   | (84 000)     | Fixed overhead expenditure \$4 000 (A) |
|                  |              | Fixed overhead capacity \$11 600 (A)   |
|                  |              | Fixed overhead efficiency \$3 600 (F)  |
| Profit           | <u>4 740</u> |  |

**Source B for Question 2**

The directors of S Limited are considering buying a new machine for \$240 000 exclusively to make a new product, Product A. The company intends to manufacture it for only 4 years. It is estimated that the profit after depreciation will be \$27 000 each year. Sales revenue will be \$400 000 each year.

The machine is to be depreciated over its life with no residual value, using the straight-line method.

The cost of capital is 12%. Relevant discount factors are as follows:

|        | Discount rate |       |
|--------|---------------|-------|
|        | 12%           | 18%   |
| Year 1 | 0.893         | 0.847 |
| Year 2 | 0.797         | 0.718 |
| Year 3 | 0.712         | 0.609 |
| Year 4 | 0.636         | 0.516 |

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