Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/43**

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.

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

Source A for Question 1

Mo is going to start his trading business on 1 January 2025. He is preparing a cash budget for the first three months to know how much capital he will need to invest. The expenditure which has to be incurred in January before he makes his first sale on 1 February 2025 includes:

	$
Equipment	15 000
Salaries	16 000
Other monthly operating expenses	35 000

Budgeted sales (in units) for the three months commencing on 1 February 2025 are as follows:

February	2 500
March	3 000
April	3 600

All goods are sold for $60 each at a mark-up of 50%.

The following information is also available.

1 Sales are 20% for cash and 80% on credit. It is expected that 30% of the credit customers will take advantage of a discount of 2% to pay in the month following the sale. The remaining credit customers will pay two months after sale.

2 Goods for resale are purchased one month before they are sold.

3 One supplier demands immediate cash payment. This supplier accounts for 10% of total purchases. The other suppliers are paid one month after purchase.

4 Mo will employ one full-time and one part-time employee in January 2025. It is expected that he needs more employees in the following months. Salaries will increase by 25% each month until May 2025. Salaries are paid in the month they are incurred.

5 Equipment is to be depreciated at 20% per annum by using the straight-line method.

6 Other operating expenses include depreciation.

7 70% of operating expenses are paid in the month they are incurred. The remainder are paid in the following month.

8 Sales commission of 4% is paid one month in arrears.

Source B for Question 2

T Limited builds a factory to produce two new products, Product A and Product B. The operating budgeted data for the first year is as follows.

	Product A	Product B
Units produced and sold	28 000	2 000
Direct materials per unit	$21	$25
Direct labour hours per unit	3.5	5
Direct labour rate	$16	$16
Machine hours per unit	1.50	1.50
Machine set up hours	320	80
Inspection hours	500	100

The expected annual production overheads of $432 000 include:

	$
Machine set up	90 000
Inspecting	126 000
Machining	216 000
	432 000

The directors plan to use traditional absorption costing under which production overheads are allocated based on direct labour hours. To set the selling price, the directors wish to achieve a 40% mark-up on both products.

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