Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

5958240391

ACCOUNTING **9706/41**

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.

This document has **8** pages.

DC (PQ) 312030/1

1 Read Source A in the insert.

(a) State **two** purposes of preparing a **cash** budget.

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[2]

(b) Prepare the cash budget for **each** of the months November, December and January.

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Workings:

[12]

(c) Prepare the budgeted statement of profit or loss for the three-month budgeted period ending 31 January. Start your answer with the gross profit.

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Workings:

[4]

Additional information

To improve the future cash position the directors have two options.

Option 1 Offer a cash discount of 2.5% to credit customers if they pay one month after sales. It is estimated that 80% of the credit customers will take the cash discount.

Option 2 Pay the suppliers two months after the purchases.

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

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.... [7]

[Total: 25]

2 Read Source B in the insert.

(a) State **two** benefits of variance analysis.

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2 ....

.... [2]

(b) Calculate the following variances:

(i) sales price

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(ii) sales volume (as a measure of change in profit)

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(iii) direct material total

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(iv) direct labour total

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.... [2]

(v) fixed overhead total.

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Additional information

Each unit requires two standard labour hours. The actual labour hours are 3456.

(c) Explain the likely reasons for the direct labour total variance calculated in **(b)(iv)**. Support your answer with the calculation of other relevant variances.

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Additional information

The standard direct material used for each unit is 3 kilos at $6 per kilo. The actual price in July was $6.40 per kilo. The existing supplier has announced that the direct material price it charges will increase by 5% from August.

The directors have approached a new supplier who has quoted the price of $6.20 per kilo with a minimum of 10 000 kilos per order.

(d) Advise the directors whether or not they should change to the new supplier. Support your answer with relevant calculations.

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[Total: 25]