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CAMBRIDGE
International Education

# Cambridge International AS & A Level

**ACCOUNTING** **9706/42**

Paper 4 A Level Cost and Management Accounting **October/November 2025**

MARK SCHEME

Maximum Mark: 50

**Published**

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the October/November 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.



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## Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptions for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

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GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

## Social Science-Specific Marking Principles (for point-based marking)

**1 Components using point-based marking:**

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

**a** DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
**b** DO credit alternative answers/examples which are not written in the mark scheme if they are correct
**c** DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
**d** DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
**e** DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
**f** DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
**g** DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

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**2 Presentation of mark scheme:**

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

**3 Calculation questions:**

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

**4 Annotation:**

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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## Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standard isation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

## Annotations

| Annotation | Meaning |
|---|---|
|  | Correct and relevant point made in answering the question. |
|  | Incorrect point or error made. |
| LNK | Two statements are linked. |
| REP | Repeat |
| A0 | An extraneous figure |
| N0 | No working shown |
| AE | Addition error (Arithmetic error) |
| R1 | Required item 1 |
| R2 | Required item 2 |
| OF | Own figure |

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| Annotation | Meaning |
|---|---|
| EVAL | Evaluation |
| NAQ | Not answered question |
| BOD | Benefit of the doubt given. |
| SEEN | Noted but no credit given |
| Highlight | Highlight |
| Off page Comment | Off page comment |

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**Abbreviations and guidance**
The following abbreviations may be used in the mark scheme:

**OF** = own figure. The answer will be marked correct if a candidate has correctly used their own figure from a previous part or calculation.

**W** = working. The working for a figure is given below. Where the figure has more than one mark associated with it, the working will show where individual marks are to be awarded.

**CF** = correct figure. The figure has to be correct i.e. no extraneous items have been included in the calculation

**Extraneous item =** an item that should not have been included in a calculation, including indirect expenses such as salaries in calculation of gross profit when there is one **OF** mark for gross profit'

**Curly brackets, },** are used to show where one mark is given for more than one figure. If the figures are not adjacent, each is marked with a curly bracket and a symbol e.g. **}***

**row** = all figures in the row must be correct for this mark to be awarded

Marks for figures are dependent on correct sign/direction

**Accept other valid responses.** This statement indicates that marks may be awarded for answers that are not listed in the mark scheme but are equally valid.

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| Question | Answer | Marks |
|---|---|---|
| 1(a)(i) | **State <u>two</u> benefits of preparing a:**<br><br>**cash budget**<br><br>Ensuring that the payments are made to avoid a shortage of cash / liquidity problems. **(1)**<br>Ensuring arrangements are made for the investment of surplus funds. **(1)**<br><br>**Max 2**<br><br>**Accept other valid responses.** | **2** |
| 1(a)(ii) | **State <u>two</u> benefits of preparing a:**<br><br>**production budget**<br><br>Ensuring right amount of inventory to meet the customers' demand. **(1)**<br>Ensuring resources are available to meet the production target. **(1)**<br><br>**Max 2**<br><br>**Accept other valid responses.** | **2** |
| 1(b) | **Prepare the production budget (in units) for <u>each</u> of the months of April, May and June.**<br><br>April / May / June<br>Sales of next month (units): 3 100 / 3 000 / 2 800 **(1) row**<br>Opening inventory (units): (160) / (155) / (150) **(1) row**<br>Closing inventory (units): 155 / 150 / 140 **(1) row**<br>Production (units): 3 095 / 2 995 / 2 790 **(1)OF row** | **4** |

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| Question | Answer | Marks |
|---|---|---|
| 1(c) | **Calculate the payments to suppliers for <u>each</u> of the months of April, May and June.** | **4** |

| | March $ | | April $ | | May $ | | June $ | |
|---|---|---|---|---|---|---|---|---|
| Units produced | 3 235 | **W1** | 3 095 | | 2 995 | | | |
| Direct material required per unit (kilos) | 3 | | 3 | | 3 | | | |
| Total direct material required (kilos) | 9 705 | | 9 285 | | 8 985 | | | |
| Decrease in base inventory | | | | | (200) | **(1)** | | |
| Total direct material purchased (kilos) | 9 705 | | 9 285 | | 8 785 | | | |
| Direct material cost per kilo | $8 | | $8 | | $8 | | | |
| Purchases payable next month | 77 640 | | 74 280 | | 70 280 | | | |
| Payment to suppliers | | | 77 640 | **(1)** | 74 280 | **(1)OF** | 70 280 | **(1)OF** |

**W1** 3200 + 160 – 125 = 3 235 units

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| Question | Answer | | | | | | | Marks |
|---|---|---|---|---|---|---|---|---|
| 1(d) | **Prepare the cash budget for <u>each</u> of the months of April, May and June.** | | | | | | | **6** |
| | | April $ | | May $ | | June $ | | |
| | Receipts | | | | | | | |
| | February sales | 156 000 | | | | | | |
| | March sales | 48 500 | | 150 000 | | | | |
| | April sales | | | 62 080 | | 192 000 | | |
| | May sales | | | | | 63 147 | | |
| | | 204 500 | **(1)** | 212 080 | **(1)** | 255 147 | **(1)** | |
| | Payments | | | | | | | |
| | Suppliers | 77 640 | | 74 280 | | 70 280 | **OF** | |
| | Direct wages and variable overheads | 61 900 | | 59 900 | | 55 800 | **(1)OF row** | |
| | Fixed overheads | 52 000 | | 55640 | | 55640 | **(1) row** | |
| | Promotion cost | 20 000 | | | | | | |
| | | 211 540 | | 189 820 | | 181 720 | | |
| | Net cash increase/(decrease) | (7 040) | | 22 260 | | 73 427 | | |
| | Opening balance | 38 000 | | 30 960 | | 53 220 | | |
| | Closing balance | 30 960 | | 53 220 | | 126 647 | **(1)OF row** | |

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| Question | Answer | Marks |
|---|---|---|
| 1(e) | **Advise the directors which option they should choose. Justify your answer.**<br><br>Option 1 **(Max 3)**<br>Existing product may be coming to the end of its product life cycle. **(1)**<br>Developing a new product is important for the future of the business. **(1)**<br>Further costs may be incurred on development / promotion of new product. **(1)**<br>Research and development may fail / it is risky. **(1)**<br><br>Option 2 **(Max 3)**<br>It has less risk **(1)**<br>Interest income increases the profit or cash / return from the interest income is too low **(1)**<br>Cash can be used for other investments to generate a higher return **(1)**<br>Cash is not available for long-term investment / emergency use in the business **(1)**<br><br>**Decision supported with a comment (1)**<br><br>**Accept other valid responses.** | **7** |

| Question | Answer | Marks |
|---|---|---|
| 2(a) | **Prepare the fixed budget for August showing the budgeted profit.** | **3** |

| Fixed budget | $ | |
|---|---|---|
| Sales (8 000 units) | 656 000 | **}** |
| Direct material | 160 000 | **}** |
| Direct labour | 360 000 | **}(1)** |
| Fixed overhead | 67 200 | **(1)** |
| Profit | 68 800 | **(1)OF** |

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| Question | Answer | Marks |
|---|---|---|
| 2(b) | **Explain why a business prepares a flexible budget statement.**<br><br>Flexible budget allows a business to prepare a budget based on the actual level of activity. **(1)** It facilitates variance analysis / a comparison between the actual result and the flexed budget. **(1)**<br><br>**Accept other valid responses.** | **2** |
| 2(c)(i) | **Calculate the following variances:**<br><br>**Fixed overhead expenditure**<br><br>$67 200 – $66 000 = $1 200 **(1)** F **(1)** | **2** |
| 2(c)(ii) | **Calculate the following variances:**<br><br>**Fixed overhead volume**<br><br>(24 000 – (7 500 × 3)) × $2.8 **(1)**= $4 200 **(1)** A **(1)** | **3** |
| 2(d)(i) | **Explain the likely causes for the adverse variances of:**<br><br>**the total direct material cost**<br><br>There is no material price variance **(1)** This is because the actual price paid was the same as the standard price. **(1)**<br><br>The material usage variance is $18 750 A. **(1)** This may be due to low quality of direct material / increased wastage / inefficient use by labour **(1)**<br><br>**Accept other valid responses.** | **4** |

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| Question | Answer | Marks |
|---|---|---|
| 2(d)(ii) | **Explain the likely causes for the adverse variances of:**<br><br>**the total direct labour cost.**<br><br>The labour rate variance is $12 000 A. **(1)** This may be due to inflation causing the increase in hourly rate. **(1)**<br><br>The labour efficiency variance is $22 500 A. **(1)** This may be due to inefficient labour force / low quality of direct material / lack of training / low motivation. **(1)**<br><br>**Accept other valid responses.** | **4** |
| 2(e) | **Advise the directors whether or not they should switch to the overseas supplier. Justify your answer.**<br><br>For **(Max 3)**<br>The quality should be better **(1)**<br>There is likely to be less wastage **(1)**<br>Returns of direct materials can be reduced **(1)**<br>Better quality of direct material may lead to a better final product **(1)**<br>The customer can be charged a premium price for a better quality product **(1)**<br><br>Against **(Max 3)**<br>Changing the supplier may not solve the problem of labour inefficiency **(1)**<br>Transportation cost/ import duties / fluctuating exchange rate may erode profit **(1)**<br>Delivery from overseas of direct material takes time **(1)**<br>It takes time to build up a good relationship with a new supplier **(1)**<br>Not sure whether the new supplier is reliable **(1)**<br><br>**Decision supported with a comment (1)**<br><br>**Accept other valid responses.** | **7** |

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