GradeMax

* 0000800000001 * DFD

Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

* 1 0 3 4 5 9 7 3 6 6 *

ACCOUNTING **9706/42**

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

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 **12** pages. Any blank pages are indicated.

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[Turn over

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1 Read Source A in the insert.

(a) State **two** benefits of preparing a:

(i) cash budget

1 .....

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2 .....

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[2]

(ii) production budget.

1 .....

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2 .....

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[2]

(b) Prepare the production budget (in units) for **each** of the months of April, May and June.

	April	May	June
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(c) Calculate the payments to suppliers for **each** of the months of April, May and June.

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(d) Prepare the cash budget for **each** of the months of April, May and June.

	April	May	June
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Additional information

The directors think that they will have some surplus cash at the end of June 2026 which could be used for other purposes. They have two options:

Option 1: use the surplus cash to incur expenditure on developing a new product

Option 2: place the surplus cash in a fixed deposit account at an estimated interest of 2% per annum.

(e) Advise the directors which option they should choose. Justify your answer.

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[Total: 25]

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2 Read Source B in the insert.

(a) Prepare the fixed budget for August showing the budgeted profit.

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Additional information

In August, 7500 units were produced and sold. The actual result was as follows:

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Sales (7500 units)	607 500
Direct material (33 750 kilos)	168 750
Direct labour (24 000 hours)	372 000
Fixed overhead	66 000
Profit	750

C Limited prepared a flexible budget statement and the following statement reconciling the flexible budget profit with actual profit.

	$	
Flexible budget profit	64 500	
Sales price variance	7 500	Adverse
Direct material variance	18 750	Adverse
Direct labour variance	34 500	Adverse
Fixed overhead variance	3 000	Adverse
Actual profit	750	

(b) Explain why a business prepares a flexible budget statement.

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(c) Calculate the following variances:

(i) fixed overhead expenditure

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(ii) fixed overhead volume.

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Additional information

The directors are concerned about the adverse variances of both the total direct material cost and the total direct labour cost.

(d) Explain the likely causes for the adverse variances of:

(i) the total direct material cost

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(ii) the total direct labour cost.

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Additional information

Direct material is supplied by one local supplier who dominates the local market. Because of the adverse direct material variance, the directors are thinking of switching to an overseas supplier who charges a higher price.

(e) Advise the directors whether or not they should switch to the overseas supplier. Justify your answer.

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