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CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/42**

Paper 4 Cost and Management Accounting **February/March 2026**

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 February/March 2026 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

This document consists of **14** printed pages.

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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.

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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)

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).

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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 standardisation 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)	**Prepare a costing statement to show the unit selling price for <u>each</u> product using absorption costing.** Alpha $ / Beta $ Direct materials 32 / 36 Direct labour 40 / 80 Fixed overheads 36 / 72 **(3) both** Total unit cost 108 / 188 **(1)OF both** Mark-up 50% 54 / 94 Selling price 162 / 282 **(1)OF both** **W1** Total budgeted labour hours 2 000 × ($40/$20) + 4 000 × ($80/$20) = 20 000 **(1)** $360 000/20 000 = $18 per labour hour **(1)OF** $18 × 2 = $36 $18 × 4 = $72 **(1)OF**	**5**
1(b)	**Assess if it is appropriate for P Limited to use direct labour hours to allocate the fixed overheads to each product.** The total fixed overheads may comprise many different types which are triggered by different causes. **(1)** Labour hours have no direct relationship with the fixed overheads. **(1)** Beta has a much higher share of fixed overheads per unit than Alpha, based on direct labour hours **(1)** Beta's total cost / selling price will be higher due to higher allocation of fixed overheads **(1)** which may lead to lower demand and profit for Beta **(1)** This is an arbitrary allocation of costs which will result in inaccurate allocation of indirect costs to cost objects. **(1)** Using direct labour hours as a basis to allocate fixed overheads to Alpha is inappropriate. **(1)** **Max 3** **Accept other valid responses.**	**3**
1(c)	**Define the term 'cost driver'.** Cost driver is the factor / activity that causes the change in the cost incurred. **(1)**	**1**

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Question	Answer	Marks
1(d)	**Define the term 'activity based costing' (ABC).** It is a costing method used to assign overheads to units of production **(1)** based on the activities performed to produce those units **(1)**	**2**
1(e)	**Calculate the fixed overheads per unit for <u>each</u> product using ABC.** Machine set-up **W1** — Alpha $56 000, Beta $48 000 **(1)** Materials requisition **W2** — Alpha $25 600, Beta $38 400 **(1)** Machine operating expenses **W3** — Alpha $38 400, Beta $33 600 **(1)** Factory supervisors' salaries **W4** — Alpha $24 000, Beta $96 000 **(1)** Total — Alpha $144 000, Beta $216 000 Units — Alpha 2 000, Beta 4 000 Fixed overheads per unit — Alpha 72, Beta 54 **(1) OF** **W1** $104 000 × 28/52 = $56 000 $104 000 × 24/52 = $48 000 **W2** $64 000 × 12/30 = $25 600 $64 000 × 18/30 = $38 400 **W3** $72 000 × 3 200/6 000=$38 400 $72 000 × 2 800/6 000 = $33 600 **W4** $120 000 × 4 000/20 000 = $24 000 $120 000 × 16 000/20 000 = $96 000	**5**
1(f)	**Calculate the unit selling price for <u>each</u> product using ABC** Direct materials — Alpha $32, Beta $36 **}** Direct labour — Alpha $40, Beta $80 **}** Overhead — Alpha $72, Beta $54 **}(1)OF** Total unit cost — Alpha 144, Beta 170 Cost plus 50% — Alpha $72, Beta $85 Selling price — Alpha $216, Beta $255 **(1) OF**	**2**

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Question	Answer	Marks
1(g)	**Advise the directors whether or not ABC should be used in the coming years. Justify your answer and support it with reference to 1(a) and 1(f).** The reason for the difference in unit cost and unit selling price for each product is because of the difference in fixed overheads per unit if different costing methods are used. **(1)** ABC is a more accurate costing method because the allocation of cost is based on the consumption of activities. **(1)** Accurate costing allows P Limited to set a more competitive/accurate price for each product. **(1)** ABC is costly and time consuming. **(1)** Alpha has a lower fixed overheads per unit of $36 than Beta's $72 if absorption is used. However, Alpha has a higher fixed overheads per unit of $72 than Beta's $54 if ABC is used. **(1)** If absorption costing is used, Alpha has a lower unit cost of $108 when compared with ABC's $144. **(1)** This results in a lower selling price of $162 when compared with ABC's $216. **(1)** If absorption costing is used, Beta has a higher unit cost of $188 when compared with ABC's $170. **(1)** This results in a higher selling price of $282 when compared with ABC's $255. **(1)** **Max 6 for comments** **Decision** supported with a comment **(1)**	**7**

Question	Answer	Marks
2(a)	**Define the term 'master budget'.** A master budget is a plan which combines all operational or functional budgets **(1)** and results in the budgeted financial statements of the statement of profit or loss and the statement of financial position **(1)** **Accept other valid responses.**	**2**

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Question	Answer	Marks
2(b)(i)	**Prepare the following budgets for January, February and March.** **production (in units)** Production budget (Units) Jan Feb March Working April Sales 1 200 1 400 1 600 1 500 Closing inventory 420 480 450 **(1) row** 435 Opening inventory (360) **(1)** (420) **}** (480) **} (1)** (450) Production 1 260 1 460 1 570 **(1)OF row** 1 485	**4**
2(b)(ii)	**purchases of direct materials (in kilos and dollars).** Purchases budget Jan Feb March Working April Direct materials required (kg) 5 040 5 840 6 280 **(1)OF row** 5 940 Closing inventory 584 628 594 **(1)OF row** Opening inventory (504) **(1)OF** (584) **}** (628)**}** **(1)OF** Materials to be purchased 5 120 5 884 6 246 **(1)OF row** at $15 per kg $76 800 $88 260 $93 690 **(1)OF row** **Alternative presentation** Jan Feb March Working April Production (units) 1 260 1 460 1 570 1 485 X4kg × $15 75 600 87 600 94 200 **(1)OF row** 89 100 Closing inventory 8 760 9 420 8 910 **(1)OF row** Opening inventory (7 560) **(1)OF** (8 760) **}** (9 420) **}** **(1)OF** Purchases–$ $76 800 $88 260 $93 690 **(1)OF row** Purchases–Kgs 5 120 5 884 6 246 **(1)OF row**	**6**

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Question	Answer	Marks
2(c)(i)	**Calculate the following variances:** **total materials** Total materials variance $252 720 – $240 000 (4 000 × 4 × $15) = $12 720 **(1)** (A) **(1)**	**2**
2(c)(ii)	**total labour** Total labour variance $353 400 – $336 000 (4 000 × 3 × $28) = $17 400 **(1)** (A) **(1)**	**2**
2(c)(iii)	**total fixed overheads.** Total fixed overheads variance $131 000 – $120 000 (4 000 × 3 × $10) = $11 000 **(1)** (A) **(1)**	**2**

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Question	Answer	Marks
2(d)	**Advise the directors which option they should choose. Justify your answer and support it with relevant calculations.** **Calculations** Actual selling price = ($740 000/4 000)= $185 **(1)** Reduction in sales income for option A = 2 950 × $10 = $29 500 **(1)** Budgeted unit contribution = ($190 – $60 – $84) = $46 **(1)** Units to cover advertising cost **=** ($40 000/$46) = 870 **(1)** Percentage increase in budgeted sales units = (870/2 950) = 29.5% **(1)** **Comments** The actual sales of the 3-month period is 4 000 units, 200 units less than the budgeted sales of 4 200 units. **(1)** The forecasted sales for April and May are also on a declining trend. **(1)** The variances of materials, labour and fixed overheads for the first three months are all adverse. **(1)** It suggests that the costs are increasing or GL Limited is inefficient in controlling the operations. **(1)** Coupled with the reduction of unit selling price further to $180, GL Limited may suffer loss. **(1)** A decrease in selling price may increase demand **(1)** and increased sales may increase fixed overheads. **(1)** The advertising campaign is only for two months **(1)** and there is a risk that it will not be successful. **(1)** **Max 2** marks for calculations **Max 4** marks for comments **Decision** supported with a comment **(1)**	**7**

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