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CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/42**

Paper 4 Cost and Management Accounting **May/June 2026**

MARK SCHEME

Maximum Mark: 50

Published

This mark scheme contains the instructions and marking guidance that our examiners used to mark candidate responses for this component.

Before they start marking, examiners complete a standardisation process. They review a range of candidate responses and discuss the mark scheme in detail to agree which answers can and cannot be accepted. Examiners award marks where it is clear that candidate responses have met the requirements of the mark scheme. These requirements may vary between different components or different versions of the same component, depending on the exact requirements of the question and the candidate responses seen during the standardisation process.

Sometimes, our mark schemes may allow marks to be awarded to responses which contain elements that are factually incorrect or for content not covered by the syllabus. We do this in response to the demands of a specific question to support candidates and make sure that our assessments are fair. However, these allowances should not be used as a guide for teaching and learning.

We cannot discuss the mark scheme with schools, and we recommend that schools read the mark scheme together with the assessment material and the Principal Examiner Report for Teachers.

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General marking principles

All examiners must apply these marking principles when marking candidate responses.

1	Examiners must award marks for each response in line with: • the specific **content** defined in the mark scheme • the specific **skills** defined in the mark scheme or in the level descriptions • the **standard of response** required as exemplified by the standardisation scripts.
2	Examiners must award **whole marks** (not half marks, or other fractions).
3	Examiners must award marks **positively**. This means that: • marks are not deducted for errors or omissions • marks are awarded for correct/valid answers as defined in the mark scheme and also for **other valid answers** which go beyond the scope of the syllabus and mark scheme referring to your team leader as appropriate • the quality of spelling, punctuation and grammar are judged **only** when the mark scheme indicates that these features are **specifically assessed** in the question. However, the meaning of all responses must be unambiguous.
4	Examiners must **consistently** apply the requirements of the mark scheme and any rules for what to do when candidates have not followed instructions correctly.
5	Examiners must use the **full range of marks** defined in the mark scheme, unless limited by the quality of the candidate responses seen.
6	Examiners must award marks according to the mark scheme and **must not** award marks with grade thresholds or grade descriptions in mind.

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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)	**State <u>two</u> disadvantages of just in time (JIT) management of inventory.** Risk of running out of inventory / delayed production / unexpected demand **(1)** Less likely to obtain discounts **(1)** More frequent deliveries / ordering costs may increase **(1)** Need reliable and multiple suppliers **(1)** **Max 2** **Accept other valid responses.**	**2**
1(b)	**Prepare the purchases budget, in dollars ($), for <u>each</u> of the three months September, October and November.** Material required for production Sept / Oct / Nov Sales of next month: 4 200 / 5 000 / 6 600 Additional minimum inventory: — / 400 **(1)** / — 4 200 / 5 400 / 6 600 Material required (kg): 8 400 / 10 800 / 13 200 Material cost per kg: $4.5 / $5 / $5 Purchases: $37 800 **(1)** / $54 000 **(1)** / $66 000 **(1)**	**4**

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Question	Answer	Marks
1(c)	**Prepare the cash budget for <u>each</u> of the three months September, October and November.**	**12**

	Sept $		Oct $		Nov $	
Receipts from sales						
Current month	21 600		25 200		30 000	
Previous month	172 800		194 400		226 800	
Total receipts	194 400	**(1)**	219 600	**(1)**	256 800	**(1)**
Payments						
Suppliers **W1**	31 752	**(1)**	37 044	**}**	52 920	**}(1)OF**
Labour **W2**	84 000	**}}**	108 000	**}}(1)**	138 600	**(1)**
Bonus **W3**					1200	**(1)**
Fixed costs						
Current month	48 000	**}**	50 400	**}**	52 920	**}**
Last month	12 000	**}(1)**	12 000	**}(1)**	12 600	**}(1)**
Advertising expenses			40 000			
Total payments	175 752		247 444		258 240	
Net cash increase/(decrease)	18 648		(27 844)		(1440)	
Opening balance	18 000		36 648		8804	
Closing balance	36 648		8804		7364	**(1) row OF**

W1
(3 600 × 2 × $4.5) × 98% = $31 752
$37 800 × 98% = $37 044
$54 000 × 98% = $52 920

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Question	Answer	Marks
1(c)	**W2** 4 200 × $20 = $84 000 5 400 × $20 = $108 000 6 600 × $21 = $138 600 **W3** (5 400 – 4 800) × $20 × 10% = $1 200	
1(d)	**Advise the directors whether or not the advertising budget should be cut. Justify your answer.** Incurring the expenditure will adversely affect the cash flow / not incurring the advertising will improve the budgeted cash flow. **(1)** There are other ways of boosting sales, such as reducing selling price. **(1)** The increase in sales in November and December is only an estimate after incurring the advertising expenses. **(1)** There may not be enough resources to cope with the expected increase in sales. **(1)** There is a risk that the advertising will not succeed. **(1)** Advertising can strengthen the image of the product / maintain market share / increase sales. **(1)** Cash will increase if the advertising is successful. **(1)** **Max. 6 for comments.** **Decision** supported with a comment **(1)** **Accept other valid responses.**	**7**

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Question	Answer	Marks
2(a)	**Calculate the <u>unit</u> production cost for <u>each</u> product if absorption costing is used.** P1 $ / P2 $ Direct materials 40 } 56 } Direct labour 54 }**(1)** 150 }**(1)** Production overheads **W1** 60 **(1)** 30 **(1)** Production cost per unit 154 **(1)OF** 236 **(1)OF** **W1** $300 000/(4 000 × 4 + 2 000 × 2) = $15 per machine hours $15 × 4 = $60 $15 × 2 = $30	**6**
2(b)	**State <u>two</u> advantages and <u>two</u> disadvantages of using ABC.** Advantages: **(Max 2)** Product costing will be fairer, realistic and accurate **(1)** Pricing of product will be fairer, realistic and accurate **(1)** Unnecessary/wasteful costs for some activities can be identified easily / helps to control costs **(1)** Disadvantages: **(Max 2)** It is very time consuming to collect and analyse data **(1)** It is very costly for data analysis / complicated so specialists may be needed / training may be required **(1)** It is not worthwhile if the fixed overhead is only a small portion of the total costs. **(1)** It is not worthwhile if only one product is made. **(1)** **Accept other valid responses.**	**4**

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Question	Answer	Marks
2(c)	**Calculate the change in production overheads <u>per unit</u> for <u>each</u> product if ABC is used. State clearly whether <u>each</u> change is an increase or decrease.**	**8**

	P1 $		P2 $	
Ordering materials **W1**	60 000	**}**	40 000	**} (1) both**
Inspection **W2**	40 000	**}**	48 000	**} (1) both**
Machine running **W3**	89 600	**}**	22 400	**} (1) both**
	189 600		110 400	
Per unit	47.40	**(1)OF**	55.20	**(1) OF**
Production overheads under absorption costing	60	**}**	30	**} (1)OF both**
Increase / (decrease)	(12.60)	**(1)OF**	25.20	**(1)OF**

W1 $100 000 × 120/200 = $60 000 $100 000 × 80/200 = $40 000
W2 $88 000 × 5 000/11 000 = $40 000 $88 000 × 6 000/11 000 = $48 000
W3 $112 000 × 16 000/20 000 = $89 600 $112 000 × 4 000/20 000 = $22 400

2(d)	**Advise the directors whether or not they should accept Peter's proposal. Justify your answer.** The business has a uniform pricing policy. **(1)** The business makes profit overall. If ABC is used, there is no impact on total profit **(1)** It simplifies pricing decision **(1)** The introduction of a new product may need a penetration pricing policy / low selling price at the beginning. **(1)** P2 appears to be of better quality **(1)** and so P2 could have a higher mark up. **(1)** With the introduction of ABC, the production overheads per unit of P1 have decreased so the mark up may be higher. **(1)** The price charged by competitors should be considered too. **(1)** **Max. 6 for comments.** **Decision** supported with a comment **(1)** **Accept other valid responses.**	**7**