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CAMBRIDGE
International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

5253790808

ACCOUNTING **9706/42**

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

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. Do **not** use correction fluid or tape.
- 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** disadvantages of just in time (JIT) management of inventory.

1 .....

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2 .....

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[2]

(b) Prepare the purchases budget, in dollars ($), for **each** of the three months September, October and November.

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(c) Prepare the cash budget for **each** of the three months September, October and November.

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Workings:

[12]

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Additional information

A competitor has recently entered the market. The sales director has therefore included an amount of $40 000 for advertising in the October budget to boost the sales for November and December. During a recent budget committee meeting, the finance director expressed concern about the cash position at 30 November and suggested that the budget for advertising should be cut.

(d) Advise the directors whether or not the advertising budget should be cut. Justify your answer.

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2 Read **Source B** in the insert.

(a) Calculate the **unit** production cost for **each** product if absorption costing is used.

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Additional information

As product P2 will be sold next year, the directors are thinking of using activity based costing (ABC). Further information is available.

1 Production overheads

	$
ordering materials	100 000
inspection	88 000
machine running	112 000
production overheads	300 000

2

	P1	P2
number of purchase orders	120	80
inspection hours per unit	1.25	3

(b) State **two** advantages and **two** disadvantages of using ABC.

advantages

1 .....

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2 .....

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disadvantages

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(c) Calculate the change in production overheads **per unit** for **each** product if ABC is used. State clearly whether **each** change is an increase or decrease.

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Additional information

The mark-up of P1 is currently 50%. The directors are now considering setting the selling price for P2. The production manager, Peter, proposes that P2 should carry the same mark-up of 50%.

(d) Advise the directors whether or not they should accept Peter's proposal. Justify your answer.

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