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CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/43**

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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Social Sciences-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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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)</td><td>Explain <u>two</u> reasons why manufacturing businesses adopt activity based costing.

Business produces multiple products (1) and these products require different demands on resources because of differences in process, complexity and technology. (1)

To have more accurate / relevant costs/ selling price (1) as activity based costing uses cost drivers. (1)

The competition in the market is more severe (1) so the business needs accurate cost information to help making strategic decisions such as pricing. (1)

Max 2 reasons × 2 marks (1 mark for identification + 1 mark for development)

Accept other valid responses.</td><td>4</td></tr>
<tr><td>1(b)</td><td>Calculate the budgeted <u>unit</u> selling price for <u>each</u> of Essential and Premier, using activity based costing.

<table>
<tr><th></th><th>Essential
$</th><th></th><th>Premier
$</th><th></th></tr>
<tr><td>Direct materials</td><td>20</td><td></td><td>30</td><td></td></tr>
<tr><td>Direct labour</td><td>25</td><td></td><td>40</td><td></td></tr>
<tr><td>Fixed overheads W1</td><td>42.5</td><td></td><td>156</td><td>(6)row</td></tr>
<tr><td>Total costs</td><td>87.5</td><td></td><td>226</td><td>(1)OF row</td></tr>
<tr><td>Mark up</td><td>17.5</td><td>(1)OF</td><td>56.5</td><td>(1)OF</td></tr>
<tr><td>Budgeted unit selling price</td><td>105</td><td>(1)OF</td><td>282.5</td><td>(1)OF</td></tr>
</table>

W1
<table>
<tr><th></th><th>Essential
$</th><th></th><th>Premier
$</th><th></th></tr>
<tr><td>Purchasing</td><td>27 000</td><td></td><td>45 000</td><td>(1)row</td></tr>
<tr><td>Machine maintenance</td><td>100 000</td><td></td><td>25 000</td><td>(1)row</td></tr>
<tr><td>Machine setup</td><td>18 000</td><td></td><td>36 000</td><td>(1)row</td></tr>
<tr><td>Designing</td><td>25 000</td><td></td><td>50 000</td><td>(1)row</td></tr>
<tr><td></td><td>170 000</td><td></td><td>156 000</td><td></td></tr>
<tr><td>Per unit</td><td>42.5</td><td>(1)OF</td><td>156</td><td>(1)OF</td></tr>
</table>
</td><td>11</td></tr>
</table>

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Question	Answer	Marks
1(c)(i)	**Identify an appropriate cost driver for these costs.** Cost driver can be number of customers' calls. **(1)** **Accept other valid responses.**	**1**
1(c)(ii)	**Explain why this cost driver is appropriate.** Answering the calls (providing customer service) is an activity **(1)** which incurs / triggers the overhead cost **(1)**. **Accept other valid responses.**	**2**
1(d)	**Advise the directors whether or not the company should produce Premier if it has to reduce the selling price. Justify your answer and support it with relevant calculations.** Calculations: If Premier is sold at the same price as the competitors, i.e. (282.5 / 1.16) $243.53 **(1)OF** A profit of $17.53 (or a mark-up of 7.76%) is still made. **(1)OF** **Max 2 for calculations** Comments: Premier is still at the introduction stage. **(1)** G Limited could adopt a strategy to price newly launched products low in order to build a strong customer base first. **(1)** Producing Premier can diversify the risk of producing only one product in the long run. **(1)** The mark-up of 7.75% does not achieve the target mark-up of 25%. **(1)** The factory would have more capacity to produce more Essential which has a mark-up of 20%. **(1)** Focusing on producing an existing product of Essential is safer than taking the risk of producing a new product. **(1)** **Max. 4 for comments.** **Decision** supported with a comment **(1)** **Accept other valid responses.**	**7**

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Question	Answer	Marks
2(a)(i)	**Calculate the net cash inflows from selling 5000 units per annum using:** **the rented machine in Year 1** $ Sales revenue 500 000 **}** Less Rental charge 50 000 **}(1)** Manufacturing costs 312 000 **(1)** Purchases 85 000 **(1)** Net cash inflows 53 000 **(1)OF**	4
2(a)(ii)	**the purchased machine in Year 1 and Year 2.** Year 1 $ / Year 2 $ Sales revenue 500 000 / 500 000 **}** Less Machine maintenance 31 000 / 31 000 **}(1)row** Manufacturing costs 390 000 / 390 000 **(1)row** Training 42 000 **(1)** Net cash inflows 37 000 **(1)OF** / 79 000 **(1)OF**	5
2(b)(i)	**Calculate, for the purchased machine,** **(i) the payback period (in years and months)** 2 years + ($120 000 – $37 000 – $79 000)/$79 000) **(1)OF** × 12 = 2 years and 1 month **(1)OF**	2

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Question	Answer	Marks
2(b)(ii)	**the net present value (NPV).** Net cashflows | $ | 12% | NPV $ Year 0 | (120 000) | 1 | (120 000) **(1)** Year 1 | 37 000 | 0.893 | 33 041 **}** Year 2 | 79 000 | 0.797 | 62 963 **}(1)OF** Year 3 | 79 000 | 0.712 | 56 248 **}** Year 4 | 79 000 | 0.636 | 50 244 **}(1)OF** 82 496 **(1)OF**	4
2(c)	**State <u>three</u> <u>disadvantages</u> of the NPV method.** NPV is complex to calculate. **(1)** Cash inflows and outflows are estimated. **(1)** Cost of capital may change over the life of the capital investment. **(1)** Based on assumptions which may not be realistic. **(1)** **Max 3** **Accept other valid responses.**	**3**

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Question	Answer	Marks
2(d)	**Advise the directors whether or not they should purchase the machine to replace the rented machine. Justify your answer and support it with relevant calculations.** Calculations The average profit for 4 years for purchased machine [($37 000 + $79 000 × 3) – $120 000]/4 = $38 500 **(1)** The NPV for the rented machine is $53 000 × 3.038 = $161 014 **(1)** **Max 2 for calculations** Comments The machine's payback period is rather short **(1)** The machine has more production capacity than the rented machine **(1)** The quality from the other manufacturer may not be acceptable **(1)** The company has full control of the machine **(1)** The machine rental charge may increase. **(1)** The average profit for 4 years is lower than the rented machine $38 500 vs $53 000 **(1)** The NPV is lower than the rented machine $82 496 vs $161 014 **(1)** There is large outlay for the purchased machine **(1)** Initial cost has the implication of financing from loan which involves loan interest **(1)** Training cost is necessary for the purchased machine **(1)** **Max. 4 for comments.** **Decision** supported with a comment **(1)** **Accept other valid responses.**	**7**

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