Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/42**

Paper 4 Cost and Management Accounting **October/November 2024**

INSERT **1 hour**

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INFORMATION
- This insert contains all of the sources referred to in the questions.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

This document has **4** pages. Any blank pages are indicated.

Source A for Question 1

T Limited manufactures one product which has been on the market for many years. It operates a standard costing system. The budgeted sales for August were 2000 units.

The standard unit cost comprises:

	$
Direct material (3 kilos at $8 each)	24
Direct labour (4 hours at $15 each)	60
Fixed overhead (4 labour hours at $10 each)	40
	124

Variance analysis has been carried out for August. The actual result and the relevant variances are as follows:

Actual result		Variances
Sales (in units)	1800	
	$	
Sales	239400	Sales price $5400 (F)
Direct materials	(44640)	Total direct material $1440 (A)
Direct labour	(106020)	Total direct labour $1980 (F)
Fixed overhead	(84000)	Fixed overhead expenditure $4000 (A)
		Fixed overhead capacity $11600 (A)
		Fixed overhead efficiency $3600 (F)
Profit	4740	

Source B for Question 2

The directors of S Limited are considering buying a new machine for $240 000 exclusively to make a new product, Product A. The company intends to manufacture it for only 4 years. It is estimated that the profit after depreciation will be $27 000 each year. Sales revenue will be $400 000 each year.

The machine is to be depreciated over its life with no residual value, using the straight-line method.

The cost of capital is 12%. Relevant discount factors are as follows:

	Discount rate	
	12%	18%
Year 1	0.893	0.847
Year 2	0.797	0.718
Year 3	0.712	0.609
Year 4	0.636	0.516

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