



Cambridge International AS & A Level

ACCOUNTING

9706/41

Paper 4 Cost and Management Accounting

October/November 2023

INSERT

1 hour

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

P Limited sells one product. To prepare the cash budget for the three-month period ending on 31 January, the management accountant provided the following information.

- 1 P Limited has a mark-up of 50% on all sales.
- 2 Sales:

Actual sales		Budgeted sales		
September	October	November	December	January
\$360 000	\$420 000	\$390 000	\$450 000	\$375 000

10% of sales are on a cash basis. The remaining customers pay two months after sales. It is estimated that 2% of the trade receivables will be irrecoverable.

- 3 All purchases are on credit. P Limited is allowed to pay two months after purchase. However, P Limited always pays one month after purchase to get a cash discount of 1.5%.
- 4 It is the policy of P Limited to maintain an inventory level at the end of each month sufficient to meet 40% of the sales of the coming month.
- 5 Depreciation and other operating expenses total \$131 000 each month. The other operating expenses are paid in the month in which they are incurred.
- 6 Plant and equipment are depreciated at the rate of 15% per annum using the straight-line method. All the plant and equipment were bought three years ago for \$124 000.
- 7 The cash at bank on 1 November would be \$95 000.

Source B for Question 2

G Limited produces a single product and adopts absorption costing. The budgeted and actual results for the month of July are as follows:

	Budgeted	Actual
Products manufactured and sold (units)	2 000	1 800
	\$	\$
Sales	<u>146 000</u>	<u>136 800</u>
Direct material	36 000	33 408
Direct labour	64 000	58 752
Fixed overhead	<u>32 000</u>	<u>33 920</u>
Total costs	<u>132 000</u>	<u>126 080</u>
Profit	<u>14 000</u>	<u>10 720</u>

G Limited carried out variance analysis.

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