Cambridge Assessment International Education

Cambridge International AS & A Level

ACCOUNTING **9706/42**

Paper 4 Cost and Management Accounting **October/November 2023**

MARK SCHEME

Maximum Mark: 50

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the October/November 2023 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5: Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).
GENERIC MARKING PRINCIPLE 6: Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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Social Science-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).

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.

ANNOTATIONS

The following annotations are used in marking this paper and should be used by examiners.

Annotation	**Use or meaning**
✓	Correct and relevant point made in answering the question.
×	Incorrect point or error made.
LNK	Two statements are linked.
REP	Repeat
A	An extraneous figure
N0	No working shown
AE	Attempts evaluation
R1	Required item 1
R2	Required item 2
OF	Own figure
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

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.

Question	Answer	Marks
1(a)	**Explain what is meant by 'activity based costing (ABC)'.** ABC uses cost drivers **(1)** which are based on activities **(1)** which cause overheads to be incurred / grouped in cost pools **(1)** **Max 3** **Accept other valid responses.**	**3**
1(b)	**Calculate the overhead absorption rate if a single rate is used.** Overhead absorption rate \$216 000/[(5000 × 4) +(8000 × 1.5)] = \$6.75 per labour hour **(1)**	**1**
1(c)	**Prepare the budgeted statement of profit or loss for each product if absorption costing is used.** M1 \$ / V1 \$ Sales revenue 915 000 **}** / 703 500 **} (1) OF row** Direct materials 175 000 **}** / 208 000 **} (1) row** Direct labour 300 000 **}** / 180 000 **} (1) row** Fixed overhead **W1** 135 000 **(1) OF** / 81 000 **(1) OF** Total cost 610 000 **}** / 469 000 **} (1) OF row** Profit 305 000 **}** / 234 500 **} (1) OF row** **W1** 5000 × \$6.75 × 4 = \$135 000, 8000 × \$6.75 × 1.5 = \$81 000	**7**

Question	Answer	Marks
1(d)	**Prepare the budgeted statement of profit or loss for <u>each</u> product if ABC is used.**	**7**

	M1	V1	
	$	$	
Sales revenue	877 380 **}**	741 120 **}**	**(1) OF row**
Direct materials	175 000	208 000	
Direct labour	300 000	180 000	
Fixed overhead **W1**	109 920	106 080	**(4)**
Total cost	584 920 **}**	494 080 **}**	**(1) OF row**
Profit	292 460 **}**	247 040 **}**	**(1) OF row**

W1

	$	$	
Handling the purchase of direct materials	19 200 **}**	24 000 **}**	**(1) row**
Inspecting and testing	11 520 **}**	17 280 **}**	**(1) row**
Supervising factory workers	60 000 **}**	36 000 **}**	**(1) row**
Setting up and testing of machines	19 200 **}**	28 800 **}**	**(1) row**
	109 920	106 080	

$43 200 × 20 / (20 + 25) =$19 200, $43 200 × 25 / (20 + 25) = $24 000
$28 800 × 20 / (20 + 30) =$11 520, $28 800 × 30 / (20 + 30) = $17 280
$96 000 × 20 000 / (20 000 + 12 000) = $60 000, $96 000 × 12 000 / (20 000 + 12 000) = $36 000
$48 000 × 12 / (12 + 18) =$19 200, $48 000 × 18 / (12 + 18) =$28 800

Question	Answer	Marks
1(e)	**Advise the directors whether or not the ABC system should be adopted in setting selling prices for the coming years. Support your answer with reference to (c) and (d).** Calculations **(max 4)** Unit selling price: one absorption rate - M1 $183 ($915 000/5000) **(1) OF** V1 $87.94 ($703 500/8000) **(1) OF** Unit selling price: ABC - M1 $175.48 ($877 380/5000) **(1) OF** V1 $92.64 ($741 120/8000) **(1) OF** Comments **(max 2)** If absorption rate is used M1 is overpriced / V1 is underpriced **(1) OR** if ABC is used M1 selling price will decrease / V1 selling price will increase. **(1)** Overpricing means that the product is less competitive / underpricing means the loss of revenue / profit. **(1)** Cost and benefit of implementing the ABC system must be evaluated. **(1)** **(1) mark for decision supported by a comment** **Accept other valid responses.**	**7**

Question	Answer	Marks
2(a)	**State <u>three</u> advantages of budgeting.** Coordinate plans of different departments **(1)** Planning / controlling costs **(1)** Motivates employees to achieve common goal **(1)** Forward looking / decision making, e.g. remedial actions taken for any shortage of resources / limiting factors **(1)** Responsibility accounting **(1)** Communication **(1)** **Max 3** **Accept other valid responses**	**3**

Question	Answer	Marks
2(b)(i)	**Prepare the following budgets for <u>each</u> of the months of May and June:** **trade receivables, showing the opening and closing balances for May and June** Trade receivables budget Balance b/d (100% of last month +60% of previous month) 510 000 **}** 561 000 **} (1) row** Credit sales of current month 363 000 **}** 399 300 **} (1) row** Bank receipts (40% of last month <5% discount> + 60% of previous month) (305 400) **(1)** (335 940) **(1)** Discount allowed (6600) **(1)** (7260) **(1)** Balance c/d 561 000 **}** 617 100 **} (1) OF row** May $ June $ **Workings:** March April May June Sales (units) 20 000 22 000 24 200 26 620 Sales (in dollars) $400 000 $440 000 $484 000 $532 400 Credit sales 75% $300 000 $330 000 $363 000 $399 300	**7**
2(b)(ii)	**production (in units).** Production budget (in units) May June Closing inventory (25% of sales next month) 6655 6655 **(1) row** Add: Sales 24 200 26 620 **(1) row** Less: Opening inventory (25% of sales current month) 6050 6655 **(1) row** Units to be produced 24 805 26 620 **(1) row** **Workings:** March April May June July Sales (units) 20 000 22 000 24 200 26 620 26 620	**4**

Question	Answer			Marks
2(b)(iii)	**purchases (in dollars).**			**4**
	Purchases budget **(in dollars)**	May $	June $	
	Closing inventory (50% of production required next month)	79 860	79 860 **(1) row**	
	Add: Used for production of current month	148 830	159 720 **(1) OF row**	
	Less: Opening inventory (50% of production required current month)	74 415	79 860 **(1) OF row**	
	Purchases (in dollars)	154 275	159 720 **(1) OF row**	
	Alternative answer			
	Purchases budget **(in kilos)**	May	June	
	Closing inventory (50% of production required next month)	53 240	53 240 **(1) row**	
	Add: Used for production of current month	99 220	106 480 **(1) OF row**	
	Less: Opening inventory (50% of production required current month)	49 610	53 240 **(1) OF row**	
	Purchases (in kilos)	102 850	106 480	
	Purchases (in dollars) $1.50 per kilo	$154 275	$159 720 **(1) OF row**	
	Alternative answer			
	Purchases budget **(in units)**	May	June	
	Closing inventory (50% of production required next month)	13 310	13 310 **(1) row**	
	Add: Used for production of current month	24 805	26 620 **(1) OF row**	
	Less: Opening inventory (50% of production required current month)	12 402.5	13 310 **(1) OF row**	
	Purchases (in units)	25 712.5	26 620	
	Purchases (in dollars) $6 per unit	$154 275	$159 720 **(1) OF row**	

Question	Answer	Marks
2(b)(iii)	**Workings:** May June July Units to be produced 24 805 26 620 26 620 4 kilos per unit 99 220 106 480 106 480 @$1.50 per kilo $148 830 $159 720 $159 720	
2(c)	**Advise the budget committee which request should be allowed. Justify your answer.** Sales promotion for existing product **(max 3)** can boost sales / demand / market share and increase revenue / profit **(1)** can promote the reputation/goodwill of the company associated with the product **(1)** product life cycle may be at the declining stage **(1)** should not aim at short-term profit/revenue at the expense of the long-term development of product **(1)** Research and development for new product **(max 3)** should aim for new products to keep abreast with the customers' changing tastes **(1)** new products ensure the competitiveness of the business in the future **(1)** the success of any new product is uncertain **(1)** the financial benefits from a new product may not be realised for a period of time **(1)** **(1) mark for decision supported by a comment.** **Accept other valid responses.**	**7**