



Cambridge International AS & A Level

ACCOUNTING

9706/04

Paper 4 Cost and Management Accounting

For examination from 2023

SPECIMEN 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

W Limited uses a budgetary control system. To prepare the budget for the month of May, the directors of W Limited estimated a production of 1200 units and fixed overheads of \$30 000.

The following budgeted data is available for the production of one unit:

Direct materials	2 kilos at \$12 per kilo
Direct labour	4 hours at \$15 per hour
Fixed overheads	to be charged to products on the basis of direct labour hours

The actual number of units produced and sold in May was 1120.

The actual and budgeted unit selling price was \$135.

Source B for Question 2

Z Limited receives an order from an existing customer to manufacture a new product for a period of four years. To satisfy this order, the directors of Z Limited have to:

- 1 Purchase a machine from overseas with an expected cost of \$300 000. The machine has a useful life of 4 years with no residual value.
- 2 Hire a specialised engineer.
- 3 Purchase direct materials from a new supplier.

The estimates relating to the operation of this order are:

Year	Cash inflow \$	Cash outflow \$
1	200 000	140 000
2	230 000	130 000
3	240 000	110 000
4	210 000	100 000

The cost of capital is 10%. The relevant discount factors are:

10%	12%
0.909	0.893
0.826	0.797
0.751	0.712
0.683	0.636

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