



Cambridge International AS & A Level

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ACCOUNTING

9706/42

Paper 4 Cost and Management Accounting

May/June 2026

1 hour

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen. Do **not** use correction fluid or tape.
- Do **not** write on any bar codes.
- You may use an HB pencil for any diagrams, graphs or rough working.
- You may use a calculator.
- You should present all accounting statements in good style.
- You should show your workings.

INFORMATION

- The total mark for this paper is 50.
- The number of marks for each question or part question is shown in brackets [].
- The insert contains all of the sources referred to in the questions.

This document has **12** pages. Any blank pages are indicated.



1 Read **Source A** in the insert.

(a) State **two** disadvantages of just in time (JIT) management of inventory.

1

.....

2

.....

[2]

(b) Prepare the purchases budget, in dollars (\$), for **each** of the three months September, October and November.

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.....

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.....

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.....

.....

[4]





Turn over





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Workings:





Additional information

A competitor has recently entered the market. The sales director has therefore included an amount of \$40 000 for advertising in the October budget to boost the sales for November and December. During a recent budget committee meeting, the finance director expressed concern about the cash position at 30 November and suggested that the budget for advertising should be cut.

- (d)** Advise the directors whether or not the advertising budget should be cut. Justify your answer.

[7]

[Total: 25]





[6]



Additional information

As product P2 will be sold next year, the directors are thinking of using activity based costing (ABC). Further information is available.

1 Production overheads

	\$
ordering materials	100 000
inspection	88 000
machine running	<u>112 000</u>
production overheads	<u>300 000</u>

2

	P1	P2
number of purchase orders	120	80
inspection hours per unit	1.25	3

(b) State **two** advantages and **two** disadvantages of using ABC.

advantages

- 1
-
-
- 2
-
-

disadvantages

- 1
-
-
- 2
-
-

[4]





- (c)** Calculate the change in production overheads **per unit** for **each** product if ABC is used. State clearly whether **each** change is an increase or decrease.

[8]





Additional information

The mark-up of P1 is currently 50%. The directors are now considering setting the selling price for P2. The production manager, Peter, proposes that P2 should carry the same mark-up of 50%.

(d) Advise the directors whether or not they should accept Peter's proposal. Justify your answer.

..... [7]

[Total: 25]







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