



## **Cambridge International AS & A Level**

CANDIDATE  
NAME

CENTRE  
NUMBER

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CANDIDATE  
NUMBER

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### **ACCOUNTING**

**9706/41**

Paper 4 Cost and Management Accounting

**May/June 2023**

**1 hour**

You must answer on the question paper.

You will need: Insert (enclosed)

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#### **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 or correction fluid.
- 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.

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This document has **8** pages. Any blank pages are indicated.

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

(a) Calculate:

(i) the net present value (NPV) of the dig

[9]

(ii) the payback period

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..... [3]

(iii) the accounting rate of return (ARR).

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..... [4]

- (b) Advise Barry whether or not he should go ahead with the dig in the farmer's field. Justify your answer.

[7]

- (c) State **two** disadvantages of using ARR for investment decisions.

1 .....

[2]

[Total: 25]

**2 Read Source B in the insert.**

- (a) Prepare the production budget (in units) for **each** of the months from January to April.

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- (b) Explain how the budgeted revenue for the four months from January to April should be calculated.

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..... [2]

## **Additional information**

At present, storage space is limited, such that the maximum number of units which can be held in inventory is 3200.

- (c) Advise the directors of the company whether or not they should invest in a new, larger storage facility. Justify your answer.

[7]

### **Additional information**

Each unit requires two kilos of direct material. The production manager expects that this material will cost \$6 per kilo in January and \$7 per kilo thereafter. No inventory of direct material is kept.

Half of the purchases are paid for in the month of purchase. The remainder are paid for in the following month.

- (d) Prepare the trade payables budget for **each** of the months of February and March. Include the balance of trade payables at the beginning and the end of each month. Assume that production is still as in your answer to part (a).

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### **Additional information**

The directors are considering asking the company's suppliers to introduce a cash discount of 4% on payments made in the month of purchase.

- (e) Explain how this change would affect the budgeted statement of profit or loss.

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[Total: 25]

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