

Cambridge International AS & A Level

ACCOUNTIN	G
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Paper 4 Cost and Management Accounting

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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.

9706/43

1 hour

October/November 2023

Source A for Question 1

T Limited manufactures a single product and uses absorption costing. The fixed budget and the actual results for the month of April are as follows:

Production and sales (units)	Fixed budget 2000	Actual results 2 180
Sales revenue	\$ _184000	\$ _196200
Direct materials Direct labour Fixed overhead Total cost	84000 60000 18000 162000	113796 55590 18400 187786
Profit	22000	8414

Source B for Question 2

The directors of W Limited are considering the purchase of a specialised machine, IM, to manufacture a product which has a product life of three years. They have two options.

- Option 1 To buy an old model, IM3, a used machine. A major improvement on the machine is required if it is bought. W Limited has experience of using this model in the past.
- Option 2 To buy the most recent model, IM8, a new machine.

The variable operating cost, \$4.80 per machine hour, is the same for either machine. Both machines will be depreciated using the straight-line method with no residual value. The selling price is \$52 per unit. The estimated sales, in units, are as follows:

Year 1	Year 2	Year 3
12000	18000	10000

Further information is available:

	IM3	IM8
Maximum annual production capacity (units)	15000	20000
Purchase price	\$141000	\$420000
Cost of improvement	\$57000	_
Machine hours per unit	5	4
Annual fixed overheads (including depreciation)	\$327000	\$355000

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