CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/41**

Paper 4 A Level Cost and Management Accounting **October/November 2025**

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 2025 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 descriptions 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 guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	Correct and relevant point made in answering the question.
	Incorrect point or error made.
LNK	Two statements are linked.
REP	Repeat
A0	An extraneous figure
N0	No working shown
AE	Addition error (Arithmetic error)
R1	Required item 1
R2	Required item 2
OF	Own figure

Annotation	Meaning
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)(i)	**Calculate the net present value (NPV) of:** **the new machine**	**3**

Year	Purchase cost $	Sales revenue $	Operating costs $	Net cash flow $	cost of capital 10%	$	
0	(400 000)	**–**	**–**	(400 000)	1.000	(400 000)	
1	–	260 000**}**	(160 000)**}***	100 000	0.909	90 900	
2	–	430 000**}**	(240 000)**}***	190 000	0.826	156 940	
3	–	580 000**} (1)**	(340 000)**}* (1)**	240 000	0.751	180 240	
					NPV	28 080	**(1)OF**

Alternative presentation

	Year 0 $	Year 1 $	Year 2 $	Year 3 $		NPV	
Purchase cost	(400 000)						
Sales revenue		260 000	430 000	580 000	**(1) row**		
Operating costs		(160 000)	(240 000)	(340 000)	**(1) row**		
	(400 000)	100 000	190 000	240 000			
10% cost of capital	1	0.909	0.826	0.751			
	(400 000)	90 900	156 940	180 240		28 080	**(1)OF**

Question	Answer	Marks
1(a)(ii)	**Calculate the net present value (NPV) of:** **the upgraded machine**	**3**

Year	Upgrade cost $	Sales revenue $	Operating costs $	Net cash flow $	cost of capital 10%	$	
0	(220 000) **(1)**	**–**	**–**	(220 000)	1.000	(220 000)	
1	–	260 000	(241 000)	19 000 **}**	0.909	17 271	
2	-	430 000	(321 000)	109 000 **}**	0.826	90 034	
3	–	580 000	(421 000)	159 000 **} (1)**	0.751	119 409	
					NPV	6 714	**(1)OF**

Alternative presentation

		Year 0	Year 1	Year 2	Year 3		NPV	
		$	$	$	$			
Upgrade cost		(220 000)				**(1)**		
Sales revenue			260 000	430 000	580 000			
Operating costs			(241 000)	(321 000)	(421 000)			
		(220 000)	19 000	109 000	159 000	**(1) row**		
10% cost of capital		1	0.909	0.826	0.751			
		(220 000)	17 271	90 034	119 409		6 714	**(1)OF**

Question	Answer	Marks
1(b)(i)	**Calculate, to <u>two</u> decimal places, the internal rate of return (IRR) of:** **the new machine** NPV of 14% cost of capital ($100 000 × 0.877) + ($190 000 × 0.769) + ($240 000x0.675) – $400 000 = ($4 190) **(1)OF** IRR = 10% + [(14%-10%) × $28 080/($28 080+$4 190) **(1)OF**] = 13.48% **(1)OF**	**3**
1(b)(ii)	**Calculate, to <u>two</u> decimal places, the internal rate of return (IRR) of:** **the upgraded machine** NPV of 14% cost of capital ($19 000 × 0.877) + ($109 000 × 0.769) + ($159 000 × 0.675) – $220 000 = $(12 191) **(1)OF** IRR = 10% + [(14%-10%) × $6 714/($6 714 + $12 191) **(1)OF**] = 11.42% **(1)OF**	**3**
1(c)	**Advise the directors which machine they should adopt if Product P were to be made. Justify your answer.** Both machines have a positive NPV. (**1**) The IRR of both machines is more than the cost of capital of 10%. (**1**) New machine has a higher NPV than upgraded machine. (**1**) New machine has a higher IRR than upgraded machine. (**1**) The initial outlay of new machine is $180 000 higher than the upgraded machine. (**1**) High repair and maintenance cost is incurred for the upgraded machine. (**1**) Quality / quantity of output from the new machine may be better. **(1)** Training may be needed for the new machine. (**1**) **Max 6 for comments** **Decision supported with a comment. (1)** **Accept other valid responses.**	**7**

Question	Answer	Marks
1(d)	**Assess the impact on the directors' decision to make Product P if these two issues are addressed. Support your answer with calculations.** New machine: Total sales revenue $1 270 000; Total operating costs ($740 000); Depreciation of bought machine ($400 000); Profit $130 000 ARR of Product P on its own $130 000/3 / (400 000) / 2 = 21.67% **(1)** However, the loss of profit $40 000 ($200 000 × 20%) of Product C should also be considered. This will result in a gain of $10 000 ($610 000 – $600 000). **(1)** Product P should be made. **(1)** Upgraded machine: Total sales revenue $1 270 000; Total operating costs ($983 000); Upgrade cost ($220 000); Profit $67 000 ARR of Product P on its own $67 000/3 / (220 000) / 2 = 20.30% **(1)** The loss of profit $40 000 ($200 000x20%) of Product C should also be considered. This will result in a loss of $53 000 ($547 000 – $600 000). **(1)** Product P should not be made. **(1)**	**6**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)</td><td>State the steps taken if a manufacturing business wants to apply ABC.

Split the overheads into cost pools. (1)
Identify the cost driver / activity. (1)
Calculate the cost per unit of the cost driver (cost pool / total number of cost driver). (1)
Allocate the cost to the product based on how much the product uses of the cost driver. (1)

Max 4

Accept other valid responses.</td><td>4</td></tr>
<tr><td>2(b)(i)</td><td>Calculate, to <u>two</u> decimal places, the unit selling price for <u>each</u> product using the following costing methods to assign overhead costs:

the existing method

<table>
<tr><th></th><th>Product L
$</th><th></th><th>Product M
$</th><th></th></tr>
<tr><td>Direct materials</td><td>64 000</td><td></td><td>168 000</td><td>(1)</td></tr>
<tr><td>Direct labour</td><td>96 000</td><td></td><td>192 000</td><td>(1)</td></tr>
<tr><td>Overhead costs W1</td><td>80 000</td><td>(1)</td><td>160 000</td><td>(1)</td></tr>
<tr><td>Total costs</td><td>240 000</td><td></td><td>520 000</td><td></td></tr>
<tr><td>Mark-up 30%</td><td>72 000</td><td></td><td>156 000</td><td>(1)OF</td></tr>
<tr><td>Total sales revenue</td><td>312 000</td><td></td><td>676 000</td><td></td></tr>
<tr><td>Unit selling price</td><td>156</td><td>(1)OF</td><td>112.67</td><td>(1)OF</td></tr>
</table>
W1
3 × 2 000 = 6 000 hours 2 × 6 000 = 12 000 hours
$240 000 × (6 000/18 000) = $80 000 $240 000 × (12 000/18 000) = $160 000</td><td>7</td></tr>
</table>

Question	Answer	Marks
2(b)(ii)	**Calculate, to <u>two</u> decimal places, the unit selling price for <u>each</u> product using the following costing methods to assign overhead costs:**	**7**

ABC

	$	$	
Direct materials	64 000	168 000	**}**
Direct labour	96 000	192 000	**}(1)OF**
Overhead costs **W1**	136 050	103 950	
Total costs	296 050	463 950	**(1)OF**
Mark-up 30%	88 815	139 185	**(1)OF**
Total sales revenue	384 865	603 135	
Unit selling price	192.43	100.52	**(1)OF**

W1

	Product L $		Product M $	
Machine set up cost	37 500	**}**	22 500	**}(1)**
Inspection cost	64 800	**}**	43 200	**}(1)**
Orders processing	33 750	**}**	38 250	**}(1)**
Total overhead costs	136 050		103 950	

Question	Answer	Marks
2(c)	**Advise the directors whether or not they should use ABC for the coming year. Justify your answer.** ABC allocates overhead costs to the product more accurately. **(1)** The manufacturing cost for each product is more realistic because the cost allocated is based on the activity consumed by that product. **(1)** If ABC were used, Product L has a higher cost per unit ($148.03 vs $120) while Product M has a lower cost per unit ($77.33 vs $86.67). **(1)** The setting of selling price is more realistic. **(1)** If the same mark-up applies, W Limited can increase the selling price of Product L from $156 to $192.43 but has to reduce the selling price of Product M from $112.67 to $100.52. **(1)** It is time consuming / costly **(1)** as expertise is required **(1)** An extensive programme of training is required. **(1)** **Max 6 for comments** **Decision supported with a comment (1)** **Accept other valid responses**	**7**