CAMBRIDGE
International Education

Cambridge International AS & A Level

ACCOUNTING **9706/43**

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 must 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)	**Prepare the flexible budget statement for March showing the budgeted profit.** |	$	| | Sales revenue	800 000	**}** | | Direct materials	150 000	**} (1)** | | Direct labour	480 000	**}** | | Fixed overhead	100 000	**} (1)** | | Budgeted profit	70 000	**(1) OF**	**3**
1(b)(i)	**Calculate the following variances:** **Material price variance** $5 × 31 500 – $149 625 = $7 875 **(1)** F **(1)**	**2**
1(b)(ii)	**Calculate the following variances:** **Material usage variance** (10 000 × 3 kilos – 31 500 kilos) × $5 = $7 500 **(1)** A **(1)**	**2**
1(b)(iii)	**Calculate the following variances:** **Labour rate variance** $12 × 40 500 – $510 300 = $24 300 **(1)** A **(1)**	**2**
1(b)(iv)	**Calculate the following variances:** **Labour efficiency variance** (10 000 × 4 hours – 40 500 hours) × $12 = $6 000 **(1)** A **(1)**	**2**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(c)</td><td>Explain the occurrence of the fixed overhead volume variance.

If actual production volume (10 000 units) is greater than the budgeted production volume (8 000 units), then the overhead is over-absorbed. (1).
Fixed overhead volume variance results from the difference between the budgeted fixed overhead and the standard fixed overhead absorbed to production costs. (1).
It measures the utilisation of fixed capacity cost, and the favourable variance suggest that fixed cost resources are used efficiently. (1)

Max 2

Accept other valid responses.</td><td>2</td></tr>
<tr><td>1(d)</td><td>Prepare a statement reconciling the flexible budget profit with the actual profit.

<table>
<tr><th></th><th>Favourable
$</th><th>Adverse
$</th><th>$</th><th></th></tr>
<tr><td>Flexible budget profit</td><td></td><td></td><td>70 000</td><td></td></tr>
<tr><td>Selling price variance $795 000 – (10 000 × $80)</td><td></td><td>5 000</td><td></td><td>(2) *</td></tr>
<tr><td>Material price variance</td><td>7 875</td><td></td><td></td><td>}</td></tr>
<tr><td>Material usage variance</td><td></td><td>7 500</td><td></td><td>} (1)OF</td></tr>
<tr><td>Labour rate variance</td><td></td><td>24 300</td><td></td><td>}</td></tr>
<tr><td>Labour efficiency variance</td><td></td><td>6 000</td><td></td><td>} (1)OF</td></tr>
<tr><td>Fixed overhead expenditure variance</td><td></td><td>1 000</td><td></td><td></td></tr>
<tr><td>Fixed overhead volume variance</td><td>20 000</td><td></td><td></td><td></td></tr>
<tr><td></td><td>27 875</td><td>43 800</td><td>(15 925)</td><td></td></tr>
<tr><td>Actual profit</td><td></td><td></td><td>54 075</td><td>(1)</td></tr>
</table>
*1 mark for figure and 1 mark for direction</td><td>5</td></tr>
</table>

Question	Answer	Marks
1(e)	**Advise the directors whether or not W Limited should stop using the standard costing system. Justify your answer.** Continuing (**Max 3**) Standard cost is used as a benchmark against which to evaluate the actual costs. **(1)** Variances are investigated **(1)** and corrective action will be taken for improving operations. **(1)** It provides useful information for planning and decision making, e.g. quoting the selling price. **(1)** Managers are more cost conscious to seek improved methods to finish the task. **(1)** Stopping (**Max 3**) Standards may be artificial if they are not reviewed and updated regularly. **(1)** If the standards are not realistic, staff will be demotivated. **(1)** It is costly / time consuming to set up standards in the first place. **(1)** Managers may be blamed for those uncontrollable factors. **(1)** **Decision supported with a comment (1)** **Accept other valid responses.**	**7**

Question	Answer	Marks
2(a)	**Calculate, to <u>two</u> decimal places, the unit selling price for <u>each</u> product using the traditional method.** Units sold: 5 000 / 3 600 Mini $ / Grand $ Direct material: 148 000 / 282 000 Direct labour: 57 000 / 93 000 Manufacturing overheads **W1**: 72 000 / 120 000 **(1) row** Total manufacturing costs: 277 000 / 495 000 **(1) row OF** Manufacturing cost per unit: 55.40 / 137.50 **(1) row OF** Profit: 49.86 / 123.75 **(1) row OF** Selling price per unit: 105.26 / 261.25 **(1) row OF** **W1** $192 000 × 6 600 / 17 600 = $72 000 $192 000 × 11 000 / 17 600 = $120 000	**5**
2(b)	**State <u>three</u> conditions which should be satisfied before a business may adopt ABC.** The business makes different products. **(1)** The business has fixed overhead which can be divided into cost pools. **(1)** The business can identify activities, cost drivers causing the costs/using the resources of the company. **(1)** The business is in a competitive environment and needs accurate cost information to make decision, i.e. setting price **(1)** The business has accounting expertise to set up and implement the system. **(1)** **Max 3** **Accept other valid responses.**	**3**

Question	Answer	Marks
2(c)	**Calculate, to <u>two</u> decimal places, the unit selling price for <u>each</u> product using ABC.**	**7**

	Mini $	Grand $	
Direct materials	148 000	282 000	**{**
Direct labour	57 000	93 000	**{(1) OF**
Manufacturing overheads **W1**	108 540	83 460	**(3) row**
Total manufacturing costs	313 540	458 460	**(1) OF row**
Manufacturing cost per unit	62.71	127.35	
Profit	56.44	114.62	**(1) OF row**
Selling price per unit	119.15	241.97	**(1) OF row**

W1

	Mini $	Grand $	
Purchase of materials	24 700	14 300	**(1) row**
Machine processing	72 500	56 840	**(1) row**
Inspections	11 340	12 320	**(1) row**
	108 540	83 460	

2(d)	**Explain the difference in the unit selling price for <u>each</u> product as calculated in <u>(a)</u> and <u>(c).</u>** There is a difference in the apportioned manufacturing overheads of each product **(1)** If ABC is used, comparing to the traditional method, the manufacturing overheads for Mini is higher ($108 540 vs $72 000) but for Grand is lower ($83 460 vs $120 000). **(1)** Selling price is fixed by uplift to costs and not the market forces. **(1)** **Max 3** **Accept other valid responses.**	**3**

Question	Answer	Marks
2(e)	**Advise the directors whether or not they should use ABC in the coming year. Justify your answer.** For **(Max 3)** Provides realistic cost information as cost drivers focus on what is causing the cost. **(1)** A more reliable selling price should be obtained. **(1)** Grand may have been overpriced by using traditional method of apportioning manufacturing overheads. **(1)** The price of Grand can be reduced from $261.25 to 241.97 making the product more competitive. **(1)** Against **(Max 3)** Collecting, analysing and preparation of activity data is time consuming / costly. **(1)** Specialist is hired / staff are trained to implement ABC. **(1)** It appears that Mini was underpriced. **(1)** If ABC was used, the selling price of Mini can be increased from $105.26 to $119.15, losing its competitiveness however. **(1)** **Decision supported with a comment (1)** **Accept other valid responses**	**7**