



Surname _____

Other Names _____

Centre Number _____

Candidate Number _____

Candidate Signature _____

I declare this is my own work.

A-level

ACCOUNTING

Paper 2 Accounting for analysis and decision-making

7127/2

Time allowed: 3 hours

At the top of the page, write your surname and other names, your centre number, your candidate number and add your signature.

[Turn over]



BLANK PAGE



For this paper you must have:

- a calculator
- a separate insert.

INSTRUCTIONS

- Use black ink or black ball-point pen.
- Answer ALL questions.
- You must answer the questions in the spaces provided. Do not write on blank pages.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- Do all rough work in this answer book. Cross through any work you do not want to be marked.

INFORMATION

- The marks for each question are shown in brackets.
- The maximum mark for this paper is 120.

DO NOT TURN OVER UNTIL TOLD TO DO SO



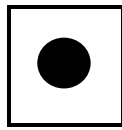
SECTION A

Answer ALL questions in this section.

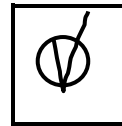
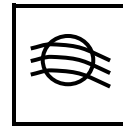
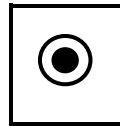
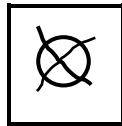
Only ONE answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

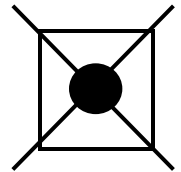
CORRECT METHOD



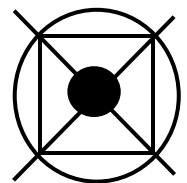
WRONG METHODS



If you want to change your answer you must cross out your original answer as shown.



If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.



0	1
---	---

Which of the following does NOT have an interest charge? [1 mark]

A Bank loan

B Debenture

C Mortgage

D Ordinary shares

[Turn over]



02

Which is the correct formula for trade payable days?
[1 mark]

A
$$\frac{\text{Cost of Sales}}{\text{Trade Payables}} \times 365$$

B
$$\frac{\text{Credit Purchases}}{\text{Trade Payables}} \times 365$$

C
$$\frac{\text{Trade Payables}}{\text{Cost of Sales}} \times 365$$

D
$$\frac{\text{Trade Payables}}{\text{Credit Purchases}} \times 365$$



0	3
---	---

A business has budgeted that overheads for the maintenance department will be 20% higher than last year's figure of £15 000. Maintenance overheads are apportioned using the net book value of machinery.

DEPARTMENT	NET BOOK VALUE OF MACHINERY
A	£750 000
B	£450 000

Which is the correct amount for the maintenance overheads to be apportioned to department B for next year? [1 mark]

A £5 625

B £6 750

C £9 375

D £11 250

[Turn over]



0	4
---	---

Which is the correct formula for earnings per share?
[1 mark]

A
$$\frac{\text{Number of issued ordinary shares}}{\text{Profit after tax (in pence)}}$$

B
$$\frac{\text{Number of issued ordinary shares}}{\text{Profit before tax (in pence)}}$$

C
$$\frac{\text{Profit after tax (in pence)}}{\text{Number of issued ordinary shares}}$$

D
$$\frac{\text{Profit before tax (in pence)}}{\text{Number of issued ordinary shares}}$$



0	5
---	---

Jude is a professional accountant and needs to attend a training course on recent changes to company law.

Which fundamental ethical principle is Jude complying with? [1 mark]

A Confidentiality

B Integrity

C Objectivity

D Professional competence and due care

[Turn over]



0	6
---	---

**Which of the following is NOT a benefit of budgeting?
[1 mark]**

A Budgets help calculate the actual profit.

B Budgets help coordination between departments.

C Budgets help management to control spending.

D Budgets help with planning.



0	7
---	---

Which of the following does NOT apply to management accounting information? [1 mark]

A Emphasis is on decision-making.

B It generally focuses on the needs of internal stakeholders.

C It is produced within a regulatory framework.

D Reports can be produced as and when needed.

[Turn over]



08

Samiyah is a sole trader. The following information relates to the account of C Lewis, a trade receivable, for the month of May.

	£
Amounts owed on 1 May	560
Amounts owed on 31 May	425
Credit sales	210
Receipts	160
Returns inwards	?

Which of the following would have been the entry for returns inwards in the account of C Lewis? [1 mark]

- A £85 credit**
- B £85 debit**
- C £185 credit**
- D £185 debit**



09

Hollie owns a wholesalers. She gives a discount to credit customers who pay within 30 days of the sale being made.

Abu, a trade receivable of Hollie's business, settles his account within 15 days.

Which is the correct book of prime entry and double entry for the business to record the discount allowed in this transaction? [1 mark]

	BOOK OF PRIME ENTRY	DEBIT ACCOUNT	CREDIT ACCOUNT
<input type="radio"/>	A Three Column Cash Book	Discount Allowed	Abu
<input type="radio"/>	B Three Column Cash Book	Abu	Discount Allowed
<input type="radio"/>	C Sales Journal	Discount Allowed	Abu
<input type="radio"/>	D Sales Journal	Abu	Discount Allowed

[Turn over]



1	0
---	---

The following information is provided for a business for the month of February:

Closing inventory	45 units
Production	460 units
Sales	540 units

Which is the correct opening inventory figure for the production budget for February? [1 mark]

A 35 units

B 45 units

C 80 units

D 125 units



BLANK PAGE

[Turn over]



11

Explain ONE limitation of using ratios to analyse business performance. [3 marks]

[Turn over]



1 2

Keverne Penn, a sole trader, provided the following information.

**STATEMENT OF FINANCIAL POSITION (EXTRACT)
AT 31 MAY 2021**

Non-current assets	Cost	Accumulated depreciation	Net book value
	£	£	£
Motor vehicles	95 000	35 350	59 650
Equipment	36 400	20 700	<u>15 700</u>
			75 350

ADDITIONAL INFORMATION

- 1. On 1 June 2021, a motor vehicle, purchased on 1 June 2018 for £26 400, was sold.**
- 2. On 1 January 2022, equipment costing £12 000 was purchased.**
- 3. Non-current assets are depreciated at 25% per annum using the straight-line method on a month-by-month basis. A full month's depreciation is charged in the month of purchase and none in the month of disposal.**



1	2
----------	----------

Prepare an extract from the statement of financial position of Keverne Penn at 31 May 2022 showing the non-current assets section only. [9 marks]

**KEVERNE PENN
STATEMENT OF FINANCIAL POSITION (EXTRACT)
AT 31 MAY 2022**

[Turn over]



[Turn over]





BLANK PAGE

[Turn over]



13

Michael will start trading on 1 August 2022, introducing £18 500 of his own cash into the business.

He has produced the following forecast.

	AUGUST 2022	SEPTEMBER 2022
	£	£
Sales	11 400	26 600
Purchases	18 000	20 200
Operating expenses	1 100	1 200

ADDITIONAL INFORMATION

- 1. 25% of sales will be on a cash basis with the remainder on a one-month credit basis.**
- 2. 60% of purchases will be on a cash basis and the remainder on credit. Trade payables will be paid in the month following purchase after taking a 5% early payment discount.**
- 3. Operating expenses will be paid in the month they are incurred.**





[Turn over]

30



SECTION B

Answer ALL questions in this section.

14.1

Read the information for question 14.1 on page 3 of the insert.

**Calculate the following variances for PRODUCT A.
[8 marks]**

Total direct materials _____

Total direct labour _____



Sales price _____

Sales volume _____

[Turn over]



14.2

Read the information for question 14.2 on pages 4–5 of the insert.

Prepare a statement reconciling the actual profit achieved with the budgeted profit for 6 000 units for PRODUCT B for the month of May 2022. [6 marks]

Statement to reconcile actual profit with budgeted profit for PRODUCT B for May 2022





14.3

The Finance Director is mainly responsible for the setting of all budgets using standards that have remained unchanged for several years. The Finance Director feels that the current budgets are fair and realistic.

The Sales Director is unhappy with the budgets that have been set as they feel that they are demotivating the sales staff.

Assess whether the budgeted figures produced by the current standard costing system are motivational.
[6 marks]

[Turn over]



[Turn over]



1 5

Rebecca currently produces and sells 16 000 event tents per annum.

The standard cost of producing one tent is as follows.

- Direct materials** – 54 metres at £2.50 per metre
- Direct labour** – 2 hours in the cutting department
– 4 hours in the assembly department
- Employees are paid** – cutting department £12 per hour
– assembly department £16.50 per hour

Tents are sold at marginal cost plus 10%. This enables Rebecca to cover her annual fixed production overheads of £268 000 and achieve her target profit.

1 5 . 1

Calculate Rebecca's target profit. [7 marks]



[Turn over]





15.2

Rebecca expects production and sales in 2023 to fall by 12.5%.

At this level of production:

- **there will be a loss of trade discounts resulting in an increase of 20% in direct material costs**
- **direct labour costs will remain unchanged**
- **annual fixed production overheads will fall by £38 000 as a smaller factory can be rented.**

Calculate the selling price PER TENT required to maintain the same target profit.

**Your answer must show the marginal cost PER TENT.
[7 marks]**

[Turn over]





[Turn over]



15.3

Rebecca has always used marginal costing to set her selling price. She was recently approached by a festival organiser to supply tents for one large event during 2024.

Assess whether Rebecca should continue to use marginal costing to set her selling price for this potential order. [6 marks]

SECTION C

Answer ALL questions in this section.

1	6
----------	----------

Read the information for question 16 on pages 6–7 of the insert.

Evaluate the director’s proposal to change to activity-based costing to improve profitability.

[25 marks]

[Turn over]





[Turn over]





[Turn over]





17

Read the information for question 17 on pages 8–9 of the insert.

Evaluate the two developments and advise the directors which one should be selected.

Consider BOTH financial and non-financial factors.
[25 marks]



[Turn over]





[Turn over]





[Turn over]



[Turn over]



END OF QUESTIONS

50



Additional page, if required.

Write the question numbers in the left-hand margin.

Additional page, if required.

Write the question numbers in the left-hand margin.

BLANK PAGE

For Examiner's Use	
Section	Mark
A	
B	
C	
TOTAL	

Copyright information

For confidentiality purposes, all acknowledgements of third-party copyright material are published in a separate booklet. This booklet is published after each live examination series and is available for free download from www.aqa.org.uk.

Permission to reproduce all copyright material has been applied for. In some cases, efforts to contact copyright-holders may have been unsuccessful and AQA will be happy to rectify any omissions of acknowledgements. If you have any queries please contact the Copyright Team.

Copyright © 2022 AQA and its licensors. All rights reserved.

IB/M/NC/Jun22/7127/2/E1