



**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]**



**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**



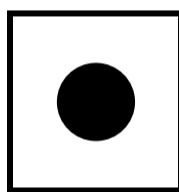
**SECTION A**

**Answer ALL questions in this section.**

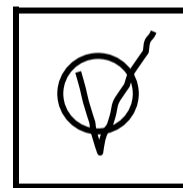
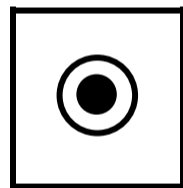
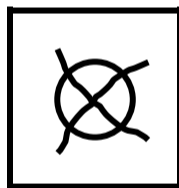
**Only ONE answer per question is allowed.**

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

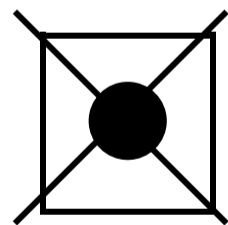
**CORRECT METHOD**



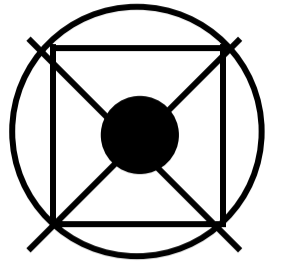
**WRONG METHODS**



**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.**



**[Turn over]**



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

**A Bank loan**

**B Debenture**

**C Mortgage**

**D Ordinary shares**



0	2
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**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**  $\frac{\text{Trade Payables}}{\text{Credit Purchases}} \times 365$

**[Turn over]**



0	3
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**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.**

<b>DEPARTMENT</b>	<b>NET BOOK VALUE OF MACHINERY</b>
<b>A</b>	<b>£750 000</b>
<b>B</b>	<b>£450 000</b>





**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
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**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
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**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
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**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
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**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.**

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



**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**

**[Turn over]**



0	9
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**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]**





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

**[Turn over]**



1	0
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**The following information is provided for a business for the month of February:**

<b>Closing inventory</b>	<b>45 units</b>
<b>Production</b>	<b>460 units</b>
<b>Sales</b>	<b>540 units</b>

**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**



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**[Turn over]**



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

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**[Turn over]**



1 2

**Read the information for question 12 on pages 2–3 of the insert.**

**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**

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**Read the information for question 13 on pages 4–5 of the insert.**

**Prepare the cash budget for Michael for the months of August 2022 and September 2022. [8 marks]**

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**[Turn over]**



**SECTION B**

**Answer ALL questions in this section.**

**14.1**

**Read the information for question 14.1 on page 7 of the insert.**

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

**Total direct materials** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Total direct labour** \_\_\_\_\_

\_\_\_\_\_



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**Sales price** \_\_\_\_\_

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**Sales volume** \_\_\_\_\_

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**[Turn over]**



**14.2**

**Read the information for question 14.2 on pages 8–9 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**

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**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]**

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

**The standard cost of producing one tent is as follows.**

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

**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.

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Calculate Rebecca’s target profit.  
[7 marks]

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**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]**



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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]**

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**SECTION C**

**Answer ALL questions in this section.**

**1 6**

**Read the information for question 16 on pages 10–12 of the insert.**

**Evaluate the director’s proposal to change to activity-based costing to improve profitability. [25 marks]**

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**17**

**Read the information for question 17 on pages 14–17 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]**

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**END OF QUESTIONS**

<b>50</b>



**Additional page, if required.**  
**Write the question numbers in the left-hand margin.**

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**Additional page, if required.  
Write the question numbers in the  
left-hand margin.**


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For Examiner's Use	
Section	Mark
A	
B	
C	
<b>TOTAL</b>	

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