



A-LEVEL ACCOUNTING

7127/2 Paper 2 Accounting for analysis and decision making
Report on the Examination

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Overall

The vast majority of students found this examination accessible in that they were able to provide answers for all the questions. Many questions were well answered with students demonstrating good exam technique by showing workings and planning longer written answers.

The answers to the extended response questions (16 & 17) demonstrated that students had been well prepared for these type of questions and were able to write extensively and had clearly understood the demands of the level of response approach. However, there is a danger that students follow a formulaic approach to their answers for example stating that A should be chosen or B should be chosen, but then failing to provide an overall judgement.

Questions 1-10

The multiple choice questions are designed to test students' knowledge and understanding. Many of these questions were answered correctly by a high proportion of students. The best response rates were for questions one (sources of finance) and six (budgeting). The least well answered questions was nine (double entry bookkeeping).

Question 11

This question required students to explain one limitation of using ratios to analyse business performance. The vast majority of students were able to identify a limitation but were unable to develop their explanation to gain the full three marks. The best answers identified a limitation, gave an explanation of why this was a limitation and supported that with an example to clarify the argument.

Question 12

This question required the preparation of an extract from the statement of financial position showing non-current assets. There were many good responses to this question. The presentation of the final answer was disappointing, particularly as the layout was given in the question. There are still a significant number of students who lose marks because they do not complete their workings: eg by only showing their final total, making it difficult to trace the origin of their final answer. The most common error was to omit the current year's depreciation.

Question 13

This question required the preparation of a cash budget. Most students appreciated the requirement to identify cash flows, however the layout of the budgets was disappointing and many did not correctly label the closing cash balance often referring to profit or even inventory. A number of students did not appreciate the need to prepare a budget for each month and tried to combine them. The most common error was the failure to calculate the discount on credit sales.

Question 14

This question focused on standard costing.

14.1 this section required students to calculate materials, labour and sales variances. Many students struggled with the calculation of the materials and labour variances; the most popular

answers were: materials £150 favourable and labour £7 550 adverse – this was the result of not using the standard quantity in the calculation. The vast majority of students were able to calculate the sales variances correctly.

14.2 this section required the preparation of a reconciliation of actual to budgeted profit using the variances given in the question. This proved to be very challenging with only a minority of students able to complete the reconciliation successfully. Most students included the sales volume variance and did not adjust for the lost contribution. Students were able to gain marks for calculating the budgeted profit and applying the remaining variances. It is important that when preparing a reconciliation the student makes clear the impact of the variance eg by clearly showing it being added or taken away and not just showing it as favourable or adverse.

14.3 this section required students to assess whether budgeted standard costs were motivational. This was not well answered. Many students discussed the motivational aspects of budgeting in general and did not apply these to standard costing and the scenario in the question. Some realised that the standards could be out of date and therefore may not be achievable or too easily achieved. Few students tried to use the variances given to develop their answers.

Question 15

This question focused on marginal costing

15.1 required the calculation of target profit and was extremely well done with over half the answers gaining full marks.

15.2 required the calculation of a selling price and again was well answered with over half the answers gaining 5 or more marks.

15.3 required the assessment of whether to continue using marginal costing to set a selling price. This, like 14.3, was not so well answered with the majority of students getting to level 2 of the response mark scheme. As with 14.3 many students did not answer the question but wrote generally about marginal costing. To get to Level 3 (5-6 marks) students must apply their answers to the scenario in the question.

Question 16

This question required an evaluation of a proposal to adopt Activity Based Costing (ABC). Students had clearly been well prepared to tackle the extended response questions and were able to write extensively, and many planned their answers.

Most students showed application by calculating the revised selling price and profit. However they then failed to assess the impact the changed selling price would have on the customers, or the significance of the market price. Students were also distracted by the size of the mark-up thinking that a larger mark-up was an issue and not realising that the mark-up is a management decision not related to the costing method.

There was also some confusion over the impact that ABC would have on the business with some thinking it would alter the production process.

Many students showed an awareness of the need to identify limitations in the evidence provided and also consider other factors that could influence their evaluation. However, many simply listed

the limitations in the evidence and did not assess their significance so the answer did not progress into the higher levels.

Question 17

This question called for an evaluation of two alternative developments. In answering this question a number of students adopted the approach of saying “Development A should be chosen because..” or “Development B should be chosen because..” Unfortunately they then do not give a final definitive recommendation and this restricts the marks that are awarded.

The responses to this question were generally better than question 16 with more answers achieving Levels 4 and 5.

Most answers successfully applied the information on payback and net present value and identified relevant non-financial factors that would influence the decision.

The better answers identified and applied limitations of the evidence to the recommendation: for example the issue of raising funds for the two projects. A weaker answer would say that there is an issue raising the funds, whilst a better answer would examine the impact of this: eg the potential impact of a share issue on ownership, or a loan on gearing the level of risk involved.

There was a disappointing use of terminology with answers referring to payback and profit. It was also disappointing that students would say that payback does not deal with cash flow after the payback period and then go on to discuss how much cash would be generated.

Mark Ranges and Award of Grades

Grade boundaries and cumulative percentage grades are available on the [Results Statistics](#) page of the AQA Website.