
A-LEVEL ACCOUNTING

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

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Overall

This paper was generally done well by students. It seems that centres prepared students well for every aspect of the paper; multiple choice questions, short answer questions and longer response questions were attempted by most students. Section B was the weakest area with the longer and more complex calculations proving to be a challenge to many students. In this section, Question 15 was the most challenging with some students not attempting any part. Centres should stress to students this question represents 17% of the marks on this paper and students who do not attempt it severely restrict the grade they can achieve.

As expected from accounting students, the numeracy demonstrated was of a good standard. Literacy, although not as strong as numeracy, has improved compared to previous exam series, with most answers to the longer response questions in Section C presented in structured paragraphs.

Questions 01 to 10 inclusive

The multiple choice questions were mostly well-answered. The best response rates were for question 1 on source documents and question 5 on ratio analysis. Both questions required knowledge in isolation and students had clearly prepared. The questions answered least well were question 6 on standard costing and question 9 on absorption costing. These questions required application of an accounting technique.

Question 11

This question was well-answered with the vast majority of students able to state an advantage of becoming a private limited company. “Limited liability” and “raising capital” were the most popular responses. Students who chose “raising capital” were more easily able to link their answer to growth and therefore access full marks.

Question 12

Many students demonstrated knowledge of activity-based costing and were particularly able to apportion purchasing costs using the correct cost driver. The most common error was using the number of units per batch to apportion setup costs; the correct method is to calculate the number of batches and then use the number of batches to apportion setup costs. Despite this error, students were still able to gain five of the seven marks available for this question. It is important that centres teach the students to show their workings as this is a source of credit.

Question 13

In 13.1, most students were able to interpret the graph to calculate the break-even point in units demonstrating knowledge of the break-even formula. The most common error was not splitting total costs in to the variable and fixed elements and, instead, dividing the total cost by the number of units to find a cost per unit.

In 13.2, fewer students were able to calculate the margin of safety and some students did not attempt this part of the question. The most common error was calculating the break-even point as a percentage of total output, whereas the correct method is to find the difference between total output and the break-even point as a percentage of total output. Where students did this, they still achieved one mark.

In 13.3, many students were able to calculate the profit at a given level of output. It was pleasing to see that students who did not attempt 13.2 still attempted 13.3 demonstrating good exam technique.

Question 14.1

The trading section of the budgeted income statement was correctly prepared by most students. However, the expenses section for many students contained alien items such as the purchase of non-current assets, loan repayments and drawings, demonstrating a poor understanding of the structure of this financial statement. This is especially surprising given that the students were then asked in 14.2 to prepare a budgeted statement of financial position which should have prompted the correct placement of these items.

Question 14.2

The budgeted statement of financial position proved more challenging than the budgeted income statement. Where students did well, they set out the structure of the statement, filled in as much as they could and balanced it with their own figures included. Where students did poorly, they did not appear to know the structure of the statement, they did not calculate totals and therefore did not access the own figure marks.

Question 14.3

This question required an assessment of the usefulness of budgeting. Many students were able to access this question and provided arguments for and against the use of a budgeted statement of financial position. The best students were also able to provide context from the statement prepared in 14.2.

Question 15.1

This question required the calculation of a net present value for a project. This topic has been tested on a previous paper, but some students did not know how to lay out their answer and this limited the marks they could achieve; they did not show cash inflows, cash outflows or a net cash flow before applying the discount factor.

Where students knew how to present their answer, most achieved 10 out of the 12 marks available. The most common errors were the inclusion of annual fixed costs in the original cost of the machine and not including the cash inflow on disposal of the machine.

Question 15.2

This question required the calculation of the payback period for a project. This proved challenging for many students, and some did not attempt this question. The better students were able to pick up own figure marks by clearly showing their workings. A common error was to calculate the payback using the discounted figures whereas the correct method is to use the net cash flows before the discount is applied.

Question 15.3

This question sought a comparison of payback with other decision-making methods. Where students did well, they presented arguments for and against the use of payback compared to net present value, using examples from the calculations in 15.1 and 15.2 and the information from the scenario.

Many students misread this question and argued whether the business should accept or reject the project. Centres should remind students to read each question carefully. There was a disappointing use of terminology with some students referring to the profits made by the project.

Question 16

This question posed a “make or buy” scenario and asked for a recommended course of action. It was clear that centres had prepared students for this type of question and many responses were clearly structured and presented both financial and non-financial arguments. Some students limited the marks available by not presenting a clearly supported conclusion.

The better students accessed the higher marks by stating the limitations of the data and the impact of this on their decision-making ability. They also presented arguments from outside of the information presented in the scenario and therefore provided a wide range of evidence to support their recommendations.

Question 17

This question looked at the interrelationships between variances to assess if they caused the difference between budgeted and actual profit. Where students did well, they used the variances provided to calculate how much they caused the difference between budgeted and actual profit and this showed they could not be the sole reason. Students then discussed other possible causes from outside of the information provided in the question and therefore established limitations in the data provided.

This question proved more challenging for many students than Question 16. Where students did poorly, they relied heavily on the information provided in the scenario and did not use the variances in any calculations.

Mark Ranges and Award of Grades

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