



Please write clearly in block capitals.

Centre number

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Candidate number

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Surname

Forename(s)

Candidate signature

I declare this is my own work.

A-level ACCOUNTING

Paper 2 Accounting for analysis and decision-making

Time allowed: 3 hours

Materials

For this paper you must have:

- a calculator.

Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or 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.

For Examiner's Use	
Question	Mark
A	
B	
C	
TOTAL	



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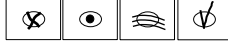
Section AAnswer **all** questions in this section.Only **one** answer per question is allowed.

For each answer 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

A manufacturer employs one factory supervisor for every five factory workers.

Which best describes the cost of the factory supervisors' salaries?

[1 mark]

- A** Direct and stepped fixed
- B** Direct and variable
- C** Indirect and stepped fixed
- D** Indirect and variable

0 2

Which is the correct formula to calculate the current ratio?

[1 mark]

- A** $\frac{\text{Current assets}}{\text{Current liabilities}}$
- B** $\frac{\text{Current assets} - \text{inventory}}{\text{Current liabilities}}$
- C** $\frac{\text{Current assets}}{\text{Current liabilities}} \times 365$
- D** $\frac{\text{Current assets} - \text{inventory}}{\text{Current liabilities}} \times 365$



0 3

Which of the following is an advantage of zero-based budgeting?

[1 mark]

- A** Budgets are quick to prepare
- B** It encourages managers to work together
- C** Inexpensive to operate
- D** Minimal planning required

0 4

A manufacturer requires 9 000 labour hours and 3 000 kg of material to produce 450 units of product L and 300 units of product M. It expects to have 7 500 labour hours and 3 500 kg of material available.

Which product should it produce first?

[1 mark]

- A** The product with the highest contribution per kg of material.
- B** The product with the highest contribution per labour hour.
- C** The product with the highest contribution per unit.
- D** The product with the highest profit per unit.

0 5

The following information is available for the sale of product D for April 2021.

Budgeted sales	3 100 units
Actual sales	2 950 units
Budgeted sales revenue	£20 460
Actual sales revenue	£19 765

What is the sales volume variance?

[1 mark]

- A** £695 Adverse
- B** £695 Favourable
- C** £990 Adverse
- D** £990 Favourable

Turn over ►



0 6

Which is the correct formula to calculate the rate of inventory turnover in days?

[1 mark]

A $\frac{\text{Average inventory}}{\text{Cost of sales}} \times 365$

B $\frac{\text{Average inventory}}{\text{Revenue}} \times 365$

C $\frac{\text{Cost of sales}}{\text{Average inventory}} \times 365$

D $\frac{\text{Revenue}}{\text{Average inventory}} \times 365$

0 7

The following information is available for product K for May 2021.

Standard material usage per unit	1.5 kg
Standard material cost per kg	£9.00
Actual production	4 500 units
Material usage variance	£900 adverse

How many kg of material were used in May 2021?

[1 mark]

A 6 650

B 6 750

C 6 850

D 7 650



0 8

The gross profit margin percentage of a business has decreased.

Which of the following could have caused this change?

[1 mark]

A Decrease in carriage inwards

B Increase in carriage inwards

C Decrease in carriage outwards

D Increase in carriage outwards

0 9

Which is **never** a responsibility of a management accountant within a business?

[1 mark]

A External audit

B Internal audit

C Monitor budgets

D Prepare budgets

1 0

Which of the following is **not** true for a public limited company?

[1 mark]

A It can offer shares to the general public.

B It is a separate legal entity.

C It needs a minimum allotted share capital of £50 000.

D It needs a minimum of one director.

Turn over for the next question

Turn over ►

1 1

Describe **one** disadvantage of a standard costing system.**[3 marks]**

1 2

Bee Ltd started in business on 1 January 2021 and provided the following information for January 2021 and February 2021:

Actual	January	February
Sales (units)	4 500	4 900
Sales (£)	85 500	93 100
Production (units)	5 100	4 800

Selling price per unit £19

Direct cost per unit £6

Budgeted fixed production overheads of £22 000 per month are absorbed on the basis of budgeted output of 5 000 units per month.

1 2 . 1

Calculate the total production cost per unit using absorption costing.

[1 mark]



1 2 . 2

Prepare an income statement using absorption costing for the month of February 2021. Clearly identify any under or over absorption of fixed production overheads.

[6 marks]

Income statement for February 2021

	£	£

Workings _____

Turn over ►



1 3

The following information is available for F Ltd, a manufacturing company.

	Quarter 1	Quarter 2
Production (units)	1 750	2 300

Each unit takes 2.5 labour hours to produce.

Nine staff are employed who are each paid:

- a guaranteed wage of £480 per week for a basic 40 hours
- overtime at a premium of 25% per hour.

Each quarter consists of 13 weeks.

1 3 . 1

Prepare the labour budget showing the hours required and cost for **both** quarters 1 and 2.

[7 marks]

Labour Budget for F Ltd

	Quarter 1	Quarter 2

Workings _____



1 3 . 2

Explain, using an example, **one** benefit of preparing a labour budget.

[3 marks]

Extra space

30

Turn over for Section B

Turn over ►



Section B

Answer **all** questions in this section.

1	4
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Karim, a sole trader, owns a wholesale business for baking equipment.

The finance officer has prepared a draft income statement for the year ended 30 June 2021 and statement of financial position at that date. The draft profit for the year has been calculated as £58 320 and the closing bank balance is £14 784 overdrawn.

The following transactions have **not** been accounted for in the draft financial statements.

1. Trade payables of £720 were paid after having taken a cash discount of 4%.
2. Insurance of £2 325 was paid for the six months ending 31 October 2021.
3. Karim took goods for his own use totalling £470.
4. On 1 May 2021, a van costing £20 640 was purchased. The purchase was financed by a four-year interest-free loan. The monthly repayments started on 1 June 2021. Motor vehicles are depreciated at 30% using the straight-line method on a month by month basis.
5. There were credit sales of £1 720. Trade receivables of £3 910 were received into the bank account. This included a cheque from a customer that has been declined of £135. Karim has decided to treat this as an irrecoverable debt.



Turn over for the next section

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Turn over ►



Section C

Answer **all** questions in this section.

1 6

The directors of Aye plc, a car manufacturer, are considering investing in a project developing an electric car. This is due to the UK government proposing to ban the sale of all new petrol and diesel cars from 2030. The directors have provided the following information:

Initial investment	£15 million
Estimated life of project	10 years
Net present value	£750 000
Payback period	8 years
To be financed by:	
9% bank loan (2026)	£10 million
Rights issue	£5 million

The net present value was calculated using a discount rate of 8% assuming that cash flows occur at the year end.

Extract from Aye plc's statement of financial position at 31 March

	2021 £ million	2020 £ million
Equity		
Issued ordinary share capital of £1 each	10	10
Retained earnings	2	1.5
Non-current liabilities		
7% Debenture loans	8	8

Shareholders currently receive a dividend of 6%.

The directors of Aye plc consider now is the right time to invest in the project due to their competitors already producing electric cars. Market research shows there is a concern that this type of vehicle is not currently made by Aye plc. However, the company is concerned that their current workforce has no experience or knowledge in this technology.



Turn over for the next question

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ANSWER IN THE SPACES PROVIDED**

Turn over ►



1 7

As the recently appointed finance director of V plc, you have produced the following draft income statement.

Income statement for the year ended 31 January 2021

	£
Revenue	1 680 000
Cost of sales	975 000
Gross profit	705 000
Administrative expenses	558 510
Operating profit	146 490
Finance costs	69 300
Profit before taxation	77 190
Taxation	18 260
Profit for the year	58 930

The managing director has made the following comments after reviewing the income statement:

- revenue has increased by £190 000 from 2020 whilst profit for the year has decreased by £105 000. This may be due to a key customer going into liquidation in September 2020 owing £184 000. Their credit limit was increased in July 2020 without accurately assessing the risk, and they were sold £68 000 of goods in August 2020
- finance costs include overdraft interest of £14 700. At 31 January 2021 the bank overdraft was £197 200. The arranged bank overdraft limit of £200 000 is due to be reviewed at a meeting with the bank manager in August 2021
- all staff are due to be paid a bonus of £500 if revenue for the year is 10% higher than 2020
- a company called ZZ plc is looking to take-over companies in this industry. It is looking for companies who export to the EU and whose accounts show year on year growth in revenue and retained earnings.

The managing director has requested you to:

- adjust the draft accounts to offset against revenue the irrecoverable debt of £184 000 which is included in administrative expenses
- change the date of the meeting with the bank manager to later in the year as the overdraft is currently high
- not publish this year's financial statements to stop ZZ plc looking at the accounts. He feels there is no benefit in publishing any financial statements as no one is interested in them.



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ANSWER IN THE SPACES PROVIDED**



