



Please write clearly in block capitals.

Centre number

Candidate number

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	
Section	Mark
A	
B	
C	
TOTAL	



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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

0 2

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

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

Turn over ►



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

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.



0 8

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

Turn over for the next question

Turn over ►



0 9

Hollie owns a wholesaler. 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	
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	<input type="radio"/>

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



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

- On 1 June 2021, a motor vehicle, purchased on 1 June 2018 for £26 400, was sold.
- On 1 January 2022, equipment costing £12 000 was purchased.
- 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



1 3

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

- 25% of sales will be on a cash basis with the remainder on a one-month credit basis.
- 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.
- Operating expenses will be paid in the month they are incurred.



Section BAnswer **all** questions in this section.**1 4 . 1**

Ebau Ltd manufactures two products. The Finance Director of Ebau Ltd provides the following information about Product A.

In May 2022 Ebau Ltd expected to be able to make and sell 2 850 units, but it actually made and sold 3 100 units.

	Product A	
	Standard cost (per unit)	Actual (total)
	£	£
Selling price/Revenue	80	241 800
Direct materials	18	51 150
Direct labour	24	75 950

Calculate the following variances for **Product A**.

[8 marks]

Total direct materials _____

Total direct labour _____



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Sales price _____

Sales volume _____

Question 14 continues on the next page

Turn over ►



1 4 . 2

The Finance Director of Ebau Ltd provides the following information about Product B.

In May 2022 Ebau Ltd expected to be able to make and sell 6 000 units, but it actually made and sold 5 500 units.

	Product B Standard cost (per unit)
	£
Selling price	55.00
Direct materials	18.20
Direct labour	3.50

	Product B Actual
	£
Revenue	319 000
Direct materials	103 125
Direct labour	<u>17 061</u>
Contribution	198 814
Fixed overheads	<u>(48 000)</u>
Profit	150 814
Variances:	
Sales price	16 500 Fav
Sales volume	27 500 Adv
Total direct material	3 025 Adv
Total direct labour	2 189 Fav

Fixed overheads for the month were as budgeted.



Section CAnswer **all** questions in this section.**1 6**

D2 plc produces two products, Basic and Premier. The selling price of each product is based on a 50% mark-up on variable costs.

	Basic	Premier
Units produced each week	1 500	120
Variable cost (per unit)	£60	£100
Contribution (per unit)	£30	£50

There is no opening or closing inventory of either product.

After fixed overheads of £32 772 per week D2 plc makes a profit of £18 228.

A director is concerned about falling profitability, which he thinks is due to making less profit per unit on sales of the Basic. He has suggested that the company changes to activity-based costing and setting the selling price of each product on a 12.5% mark-up on total cost. He has provided the following calculation of total cost per unit.

	Basic	Premier
Units produced each week	1 500	120
Batches produced each week	1	1
Variable cost (per unit)	£60	£100
Fixed overheads (per unit)		
Machine set-ups	£8.30	£103.75
Quality control	£4.20	£13.10
Total cost (per unit)	£72.50	£216.85

Each new batch requires the machinery to be reset.

The company trades in a competitive market. It has a loyal customer base, a mix of wholesalers and retailers. Fe3 Ltd purchases over 80% of all Premiers produced.

For many years D2 plc has rented a large factory and warehouse.



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1 7

Tuor plc is a property development company that specialises in the renovation of luxury houses in London. Eight years ago it purchased 95 acres of farmland on the outskirts of a small city in South West England. The land cost £15 million and a further £0.5 million was spent on site clearance before submitting a planning application for 1 600 houses. There were many objections to the planning application from the local community. Many of the locals were either not in work or in minimum wage jobs and feared that the development would result in people moving in from out of the area or that the houses would be bought by landlords. It was argued the local hospital and schools would not cope with such a large increase in the population.

Due to the objections the planning application for the housing development was rejected. However, the council has stated it will approve **one** of the following alternative developments.

Development A

To build a county stadium, to be used as the home ground for the city's non-league football club, the county's rugby team and the local college. It will also be used as a conference and music venue. Tuor plc will operate the stadium and hope to employ up to 160 part-time staff.

Development B

To build a large out-of-town shopping complex, along with a smaller development of 150 houses. The houses will be large executive family houses starting at £900 000. The shopping complex will be the largest enclosed shopping area in South West England. The city centre, which can be reached by a park and ride scheme, has a mix of small independent shops and traditional high street shops.

The Finance Director of Tuor plc, who is also a non-executive director of the city's football club, has provided the following information.

	Development A	Development B
Cost (excluding land)	£16 million	£60 million
Net present value	£824 000	£3.6 million
Life of project	35 years	20 years
Payback period	20 years	12 years

The cost has been based on similar developments in London.

The net present value was calculated using a discount rate of 12% which is used for current operations.



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