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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

Monday 3 June 2024

Morning

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	



J U N 2 4 7 1 2 7 2 0 1

Section AAnswer **all** questions in this section.For multiple-choice questions 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**

A business buys inventory on credit.

Which book of prime entry is used to record this transaction?

[1 mark]

- A** Cash book
- B** General journal
- C** Purchases journal
- D** Purchases returns journal

0 2

What is the impact on the statement of financial position of receiving a recovered debt that had previously been written off as irrecoverable?

[1 mark]

- A** Decrease capital, decrease current assets
- B** Decrease capital, increase current assets
- C** Increase capital, decrease current assets
- D** Increase capital, increase current assets



0 3

Which of the following is an advantage of being a sole trader?

[1 mark]

- A** They can sell shares to the general public.
- B** They have full control over decision making.
- C** They have limited liability.
- D** They pay corporation tax.

0 4

A business pays royalties on each unit it manufactures.

Which of the following describes the cost of the royalties?

[1 mark]

- A** Direct and semi-variable
- B** Direct and variable
- C** Indirect and semi-variable
- D** Indirect and variable

0 5

Which of the following is **not** a fundamental principle of ethical behaviour?

[1 mark]

- A** Confidentiality
- B** Consistency
- C** Integrity
- D** Objectivity

Turn over ►



0 6

Product Q has the following costs per unit:

Materials	4 metres at £2 per metre
Labour	1.5 hours at £12 per hour
Overheads	£4 per labour hour

Product Q has a selling price of total cost plus a 10% mark up.

What is the selling price of Product Q?

[1 mark]

- A £28.60
- B £32.00
- C £33.00
- D £35.20

0 7

Which is the formula to calculate dividend cover?

[1 mark]

- A $\frac{\text{Dividend per share}}{\text{Market price per share}} \times 100$
- B $\frac{\text{Market price per share}}{\text{Dividend per share}} \times 100$
- C $\frac{\text{Ordinary share dividends paid}}{\text{Profit after interest and tax}}$
- D $\frac{\text{Profit after interest and tax}}{\text{Ordinary share dividends paid}}$



0 8

A manufacturer provides the following information:

Total fixed costs	£360 000
Unit variable cost	£20
Unit selling price	£60
Forecast output	20 000 units

What is the margin of safety in units?

[1 mark]

- A 9 000
- B 11 000
- C 14 000
- D 15 500

0 9

Which is the formula to calculate the rate of inventory turnover?

[1 mark]

- A $\frac{\text{Average inventory}}{\text{Cost of sales}}$
- B $\frac{\text{Average inventory}}{\text{Cost of sales}} \times 100$
- C $\frac{\text{Cost of sales}}{\text{Average inventory}}$
- D $\frac{\text{Cost of sales}}{\text{Average inventory}} \times 100$

Turn over ►



1 0

A manufacturer provides the following information:

	February	March
Budgeted sales (in units)	45 000	48 000

Closing inventory is to be maintained at 20% of the following month's budgeted sales.

The warehouse has a maximum capacity of 9 500 units.

What is the budgeted production in units for February?

[1 mark]

- A** 44 400
- B** 45 500
- C** 45 600
- D** 54 500



1	1
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Explain **two** benefits of using incremental budgeting.

[6 marks]

Benefit 1 _____

Benefit 2 _____

Turn over for the next question

Turn over ►



1 3

Naomi is preparing her labour budget for August. She has provided the following forecasted information:

Production	500 units
Labour hours per unit	45 minutes
Standard labour rate	£12 per hour

After allowing for holidays only 200 labour hours are available at the standard rate. Any additional hours used will have to be paid at a premium of 40% extra per hour.

Prepare the labour budget for August. Show clearly the number of hours required and the total labour cost.

[4 marks]

30



Turn over for the next section

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Section B

Answer **all** questions in this section.

1 4

Rixmead Ltd budgeted to produce 48 000 units in March.

Budgeted information

Direct labour cost	£1 536 000
Direct material cost	£672 000
Labour hours per unit	2.5 hours
Material quantity per unit	4 kilograms

Actual production in March was 51 000 units.

Actual information

	Per unit	£
Direct labour	3 hours	12.00 per hour
Direct material	4.25 kilograms	2.90 per kilogram

1 4 . 1

Calculate the following variances:

[10 marks]

Material price variance _____

Material usage variance _____



Labour rate variance _____

Labour efficiency variance _____

1 4 . 2

Prepare a reconciliation of the budgeted cost to actual cost.

[4 marks]

Turn over ►



1 5

Books Online is a digital business selling audiobooks. The directors are considering a technology upgrade to improve customer experience and have provided the following information in relation to the project:

	£
Cost of hardware	2 380 000
Delivery and installation of hardware	45 000
Software (annual cost)	120 000
Staff training (annual cost)	50 000
Fixed costs per year excluding depreciation	80 000

Purchase, delivery and installation of the hardware is expected at the end of 2024 and the technology will be implemented in 2025. The hardware will be depreciated over three years using the straight line method. The project will last three years, after which a further upgrade in technology will be needed. The hardware will then be sold for an estimated £400 000.

The software will be used from 2025 and must be updated each year. The staff must be trained on each update.

Forecast sales

	2025	2026	2027
Units	500 000	12% increase	12% increase

The percentage increase is based on the previous year's sales in units. Throughout the 3 years the selling price per book is £6.50, and the variable cost per book is £2.80.

Books Online uses a cost of capital of 14%. The discount factors are:

Year	Discount factor
0	1.000
1	0.877
2	0.769
3	0.675



Section C

Answer **all** questions in this section.

1 6

Mel runs a business which makes bracelets. The market for bracelets is very competitive. She plans to start making and selling earrings to help widen her product range and increase her customer base.

Mel is considering what price to sell her new earrings for. She is considering using either marginal or absorption costing to set the selling price of the earrings. She has not decided what percentage would be appropriate to use when setting the price. Her competitors use an average mark up of 130% on the marginal cost.

The following information is for the next year. The forecast is based on the production and sales of 10 000 pairs of earrings.

Extract of financial information

Raw materials per unit	£4
Direct labour per unit	£9
Fixed costs per annum	£190 000

The fixed costs will be absorbed on a labour hour basis. However, Mel is aware that the earrings will be largely made by machines rather than labour. The fixed costs include marketing costs of £80 000 which would only be incurred in year one. The remaining fixed costs are for renting additional factory space to produce the earrings.

Mel has used her raw material supplier for many years and has established a good working relationship. Raw material prices are fixed for the next twelve months with this supplier.

A pay rise has already been factored into her direct labour costs. Mel is aware her rates of pay are only slightly above the current minimum wage.

The sales manager has suggested they use marginal costing as it allows flexibility when setting prices. This could allow him to continue making one-off deals with larger customers. However, the finance manager would like to ensure that all costs are covered.



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1 7

Piastri Ltd prints customers' images onto plain T-shirts and sells them at an average price of £20 each. Its existing T-shirt supplier has gone into liquidation. Piastri Ltd therefore needs a new supplier before it runs out of plain T-shirts. An initial order of 5 000 T-shirts is needed within the next three months to meet customer demand.

The plain T-shirts Piastri Ltd uses are available from a number of different suppliers and are identical in their material, quality and garment fit. Astun and Mertin have been identified as potential suppliers and have provided the following information:

	Astun	Mertin
Cost price per T-shirt (including delivery charges)	£6.20	£5.70
Factory location	UK	China
Years of trading	5	30
Current ratio	1.1:1	1.9:1
Liquid capital ratio	0.8:1	1.1:1
Trade payable days	42	42
Trade receivable days	77	180
Rate of inventory turnover (days)	15	120

Astun is considering introducing new machinery that would produce its T-shirts more efficiently. This would significantly reduce Astun's staffing costs and material wastage.

Mertin has recently won an award for fair treatment of its employees. All Mertin's employees are given high quality training and a higher hourly wage than the average in China.



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3 6



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