



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. Centres had clearly prepared students for multiple choice, short answer and longer response questions. Section B was the weakest section on the paper demonstrating that students found the longer and more complex calculation questions to be challenging. Question 15 proved the most challenging with a significant number of students not attempting this question. The weakest students did not attempt any of Section B. Centres should stress that Section B represents 33% of the marks available on the paper and students who do not attempt it restrict the grade they are able to achieve.

The numeracy demonstrated was strong, as would be expected from accounting students. Literacy was of a similar standard to previous exam series; not as strong as numeracy but with good structure shown in the written responses.

Question 01 to 10 inclusive

The multiple choice questions were mostly well-answered. The highest average scores were on question 1 on books of prime entry, question 3 on advantages of types of ownership and question 5 on the principles of ethics. All of these questions required knowledge in isolation and the students were clearly prepared. The lowest average scores were on question 4 on cost classification and question 10 on budgeted production. Question 4 required knowledge in isolation so it was surprising to see the poor performance on this question given how well students were prepared for similar multiple choice questions. Centres should remind students of all the costs that can be incurred by businesses, including more unusual costs like royalties. Question 10 required application of an accounting technique.

Question 11

This question was poorly answered with a minority of students being able to explain two advantages of incremental budgeting. Many students stated general advantages of budgeting rather than incremental budgeting and therefore did not gain any credit. The most popular correct answers were “saves time” and “less costly” but many students were then unable to explain why this was beneficial to a business in order to gain the higher marks.

Question 12

The majority of students demonstrated clear knowledge of the structure of the trading section of an income statement and prepared this budgeted version with a high level of accuracy. There were two common errors; firstly students did not correctly calculate the number of units to be purchased and secondly they did not include the cost of delivery in the value of closing inventory. Each of these errors were worth one mark and therefore students were still able to score eight out of ten, providing their workings were clear.

Question 13

This labour budget question was very well-answered with the majority of students able to calculate the number of hours and the total cost and therefore gain full marks. A minority of students were unable to

calculate hours from the minutes given in the question. Some students did not label their answer and therefore lost one mark; the question required a labour budget which is more formal than just the workings.

Question 14.1

The variance calculations in this question divided the students clearly into two categories; those who can calculate variances and those who can't. Despite this, the majority of students attempted this question and showed their workings clearly. Centres should remind students that a mark is awarded for labelling the result as favourable or adverse and this is awarded even when the numeric answer is incorrect.

The most common error was in the material usage and labour efficiency variances where students did not 'flex' the budgeted material or labour used before comparing to the actual cost. Where this was seen, and correctly labelled as favourable or adverse, the student was awarded two out of the three marks available.

Question 14.2

The reconciliation between budgeted and actual cost proved to be more challenging than the variances in 14.1 with some students not attempting this part. The stronger students correctly calculated the flexed budgeted cost and used their variances from 14.1 to reconcile to actual cost. Centres should advise students that 'own figure' marks are awarded in questions such as this where their answer relies on the result of an earlier calculation.

The earlier error from 14.1 where the budget had not been flexed was credited in this section and meant that, where the incorrect variances were used correctly in the reconciliation, full marks were awarded.

Question 14.3

This question required the students to assess if the variances from 14.1 were all linked. Many of the responses were unbalanced and only argued that the variances were linked with no arguments against. The better responses used their answers from 14.1 to provide evidence to support their arguments.

Question 15.1

Many students demonstrated how to calculate net present value (NPV) including how to apply discount factors. Most of them presented their calculation in a table but students who did not were still awarded marks providing their workings were labelled (ie years of the project, inflows, outflows). The most common errors were the inclusion of depreciation in the cash outflows, the omission of the disposal proceeds in the final year of the project and the inclusion of the annual fixed costs in the original project cost.

Some students chose to calculate contribution instead of showing sales and variable costs separately. This was a valid approach as the contribution was then used as an inflow and the remaining fixed costs as outflows, but it was essential that workings be included so that marks could be awarded accordingly.

Question 15.2

Many students were able to calculate payback and present it in one of the acceptable formats. The most common error was the use of discounted cash flows instead of net cash flows in the calculation, which resulted in no marks being awarded.

Some students did not attempt this part of the question even when they had completed 15.1 to a high standard. This is surprising as payback and NPV are part of the same topic.

Question 15.3

This question required an assessment of whether investment decisions should be solely based on results of calculations. The best responses provided clear arguments for and against the use of NPV and payback and used the answers from 15.1 and 15.2 to support this. Many responses were unbalanced (either for or against) and therefore limited the marks available. A few students wrote about whether to invest or not and were able to gain some marks if they had explained why the payback and NPV calculations were useful.

Question 16

This question required a comparison of costing methods to set a selling price. Generally, students wrote in a concise manner and structured their answers to cover both costing methods.

The better responses used the data in the question to calculate the selling price using marginal costing and explained this would not cover the fixed costs for the business. This led to identification of limitations of the data provided in the question. They also discussed other influences on a decision to set a selling price such as competitor prices and therefore demonstrated a consideration of the factors from the wider context of the scenario.

Weaker responses demonstrated a knowledge of the costing methods but not in relation to setting a selling price and this led to discussion of irrelevant factors such as the valuation of inventory.

Question 17

Most students wrote at length for this question and structured the essay in clear paragraphs. The best responses took each of the pieces of information provided in the question in turn, i.e. trade receivable days, current ratio, and drew comparisons between the options of Astun and Mertin. This approach allowed the students to explain why this measure was important and led to limitations of the data rather than writing a separate section on this later in the essay.

Weaker responses repeated information from the question (eg number of years trading) but didn't explain the importance of this information and therefore did not demonstrate clear analysis. Many students demonstrated an understanding of ratios but from the perspective of the business themselves rather than the perspective of a potential customer.

Mark Ranges and Award of Grades

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