

Please write clearly in block capitals.

Centre number

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Candidate number

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Surname

Forename(s)

Candidate signature

A-level ACCOUNTING

Paper 2 Accounting for Analysis and Decision-making

Thursday 13 June 2019

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	



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**

Which costing technique uses cost pools and cost drivers?

[1 mark]**A** Absorption costing☐**B** Activity-based costing☐**C** Marginal costing☐**D** Standard costing☐**0 2**

Which of the following is the correct formula (all expressed in units) to calculate budgeted units of production?

[1 mark]**A** Sales – closing inventory – opening inventory☐**B** Sales – closing inventory + opening inventory☐**C** Sales + closing inventory – opening inventory☐**D** Sales + closing inventory + opening inventory☐

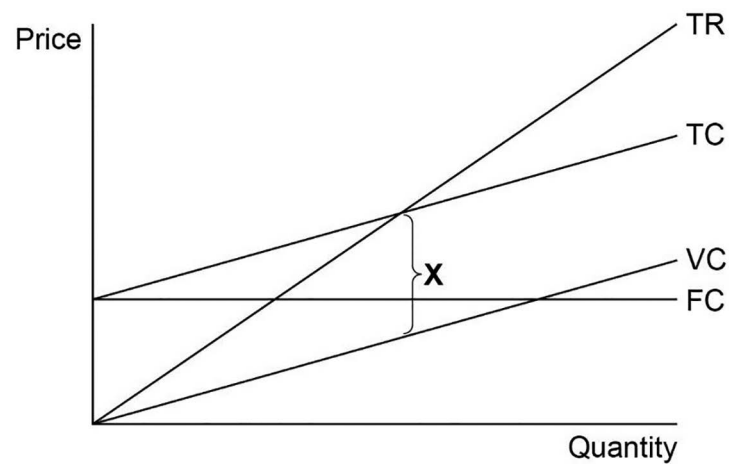
0 3

A business paid £12 650 for rent and rates for the year ended 31 May 2019. This included rent paid in advance of £3 165. Rates outstanding at 31 May 2019 were £2 530.

How much is the rent and rates expenses to be included in the income statement for the year ended 31 May 2019?

[1 mark]**A** £6 955☐**B** £12 015☐**C** £13 285☐**D** £18 345☐**0 4**

What is represented by **X** on the break-even chart shown below?

[1 mark]**A** Fixed costs☐**B** Margin of safety☐**C** The area of loss☐**D** The area of profit☐

Turn over for the next question

Turn over ►



0 5

Which of the following variances may require the calculation of flexed information?

[1 mark]**A** Labour efficiency and material price☐**B** Labour efficiency and material usage☐**C** Labour rate and material price☐**D** Labour rate and material usage☐**0 6**

The balance on the sales ledger account of Mrs Jones is £42 875.

The following information has not yet been included in the sales ledger account of Mrs Jones:

Dishonoured cheque for non-payment by Mrs Jones: £2 495

Contra in the purchase ledger account of Mrs Jones: £355.

What is the balance on the sales ledger account of Mrs Jones after these adjustments have been included?

[1 mark]**A** £40 025☐**B** £40 735☐**C** £45 015☐**D** £45 725☐**0 7**

As a result of output increasing, an additional warehouse is required.

Which type of cost describes the total cost of warehousing?

[1 mark]**A** Fixed cost☐**B** Semi-variable cost☐**C** Stepped cost☐**D** Variable cost☐

0 8

Which is the correct formula to calculate the interest cover ratio?

[1 mark]

A $\frac{\text{Interest payable}}{\text{Profit before tax}} \times 365$

☐

B $\frac{\text{Interest payable}}{\text{Profit from operations}} \times 365$

☐

C $\frac{\text{Profit before interest and tax}}{\text{Interest payable}}$

☐

D $\frac{\text{Profit before tax}}{\text{Interest payable}}$

☐**0 9**Which is **not** a fundamental principle of ethical behaviour?**[1 mark]**

A Confidentiality

☐

B Integrity

☐

C Objectivity

☐

D Subjectivity

☐**1 0**

The following information has been provided:

Total fixed costs	£120 000
Unit variable cost	£10
Unit selling price	£40

What is the break-even quantity?

[1 mark]

A 2 400 units

☐

B 3 000 units

☐

C 4 000 units

☐

D 12 000 units

☐**Turn over ►**

[6 marks]

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Year 1	0.893
Year 2	0.797
Year 3	0.712
Year 4	0.636



Calculate the net present value for the machine (show all values rounded to the nearest whole pound).

[illegible]

Calculate the payback period for the machine.

Turn over ►



The following information is available for two production departments for Theprom Ltd:

The following overhead costs have been provided:

Calculate the overhead absorption rate for **each** department and state the basis of the OAR method used.

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Turn over for the next question

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ANSWER IN THE SPACES PROVIDED**

Turn over ►



Answer **all** questions in this section.

Nodlam Ltd has provided the following information about different products:

	A	B	C
Demand (units)	5 500	6 200	7 400
Per unit:	£	£	£
Selling price	126	112	90
Direct materials	24	20	22
Direct labour	18	15	8.50
Variable overheads	6	5	4.50
Fixed overheads	28	25	32

The supplier of direct materials has experienced some technical problems and has been unable to supply the usual quantities required by the business. Due to this material shortage, only 176 840 kilograms are available during the production period.

Calculate the maximum profit that can be made allowing for the optimum use of the scarce material resource.

[14 marks]

[illegible]

[illegible]

A shortage of materials is expected to cause production problems. A potential supplier has been found that is based in Europe. This supplier can immediately fulfil the anticipated shortfall of materials and could supply on a long-term basis.

Advise whether the business should use another supplier to overcome the expected shortage of material.

[6 marks]

[illegible]

Extra space



1 5

Ekib Ltd has provided the following budgeted information:

Budgeted production	32 000 units
Budgeted direct labour cost	£828 000
Budgeted direct material cost	£1 972 000
Labour hours per unit	4.5
Material quantity per unit	8.5 kilograms

Actual production was 30 000 units.

Actual labour per unit is 3.5 hours at a rate of £6.25 per hour.

Actual material per unit is 6.75 kilograms at a cost of £9.45 per kilogram.

1 5 . 1

Calculate the following variances:

[10 marks]

Material price variance

Material usage variance

Question 15 continues on the next page

Turn over ►



Labour rate variance

Labour efficiency variance

1 5 . 2 Prepare a reconciliation of budgeted to actual cost.

[4 marks]

	£



[6 marks]

40

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

Rennur Plc has provided the following information:

	Department 1 £	Department 2 £	Department 3 £
Contribution	101 160	30 840	40 488
Total overheads	84 300	38 550	36 150

Total overheads include factory rent, machinery depreciation and supervisor salaries. All overheads are apportioned on the basis of floor area. A departmental supervisor does not think that the overheads have been apportioned fairly.

The management wants to ensure that the business maximises profitability and is under pressure from the owners who are increasingly demanding higher returns on their investment. They have demanded at least a 50% increase in overall profit in the next financial period.

As a strategy to make optimum use of the business resources, the management is proposing to close any loss-making department and to use the space instead to expand the most profitable department by 40%. There is a possibility that some staff could be redeployed to another department following any closure. The existing staff are both experienced and skilled. However, there is a culture where change is opposed and in the past less radical changes have resulted in industrial action being taken. Staff would also need to be retrained at an overall cost of £7 500.

Due to experiencing some cash flow problems, the business has got an existing short-term loan as well as a bank overdraft facility.



Recommend whether the management should proceed with its suggested strategy to close any loss-making department and expand the most profitable department by 40%. Consider both financial and non-financial factors.

[illegible]

Extra space _____



[illegible]

[illegible]

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1 7

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Hannah has recently inherited £60 000. She wishes to invest in the stock market. Hannah needs a reasonable income from her investment but she does not want to risk losing her capital. She has researched the following data about two companies.

Income statement extracts for the year ended 31 January 2019:

	Company A £	Company B £
Profit from operations	3 563 750	7 821 645
Finance costs	182 500	786 310
Profit before taxation	3 381 250	7 035 335
Taxation	725 000	1 507 835
Profit after taxation	2 656 250	5 527 500

Extracts from the statement of financial position at 31 January 2019:

	Company A £	Company B £
Equity		
Issued ordinary share capital	2 500 000	13 750 000
Share premium	750 000	1 350 000
Retained earnings	5 075 000	7 826 430
	8 325 000	22 926 430
Non-current liabilities		
Debenture loans	3 650 000	19 650 000

	Company A	Company B
Shares nominal value	50p each	£1 each
Listed on the stock exchange in	2017	1982
Operates in	an emerging industry	a stable industry

Investment ratios have been calculated as follows:

Ratio	Company A	Company B
Earnings per share (rounded)	53p	40p
Price earnings ratio	15	8
Dividend cover	4.25 times	4 times

Hannah needs to know the market price per share and dividend per share before she can make her investment decision.



Evaluate the investment potential of the two companies and advise Hannah how she should invest her inheritance.

[illegible]

[illegible]

[illegible]

[illegible]

50



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[illegible]

[illegible]

[illegible]

[illegible]

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