



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

Tuesday 3 June 2025

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 5 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**

Which is the formula for the price earnings ratio?

[1 mark]**A**

$$\frac{\text{Current market price}}{\text{Earnings per share}}$$

☐**B**

$$\frac{\text{Earnings per share}}{\text{Current market price}}$$

☐**C**

$$\frac{\text{Earnings per share}}{\text{Number of issued ordinary shares}}$$

☐**D**

$$\frac{\text{Number of issued ordinary shares}}{\text{Earnings per share}}$$

☐

0 2

A business has one factory production manager.

Which of the following describes the cost of the factory production manager's salary?

[1 mark]

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

0 3

What is the double entry to record discount received from L Boulton, a credit supplier?

[1 mark]

	Debit	Credit	
A	Bank	Discount received	<input data-bbox="992 938 1053 978" type="radio"/>
B	Discount received	Bank	<input data-bbox="992 1014 1053 1055" type="radio"/>
C	Discount received	L Boulton	<input data-bbox="992 1090 1053 1131" type="radio"/>
D	L Boulton	Discount received	<input data-bbox="992 1167 1053 1207" type="radio"/>



0 4

The following information is available for the sale of a product.

Budgeted sales	4 650 units
Actual sales	4 450 units
Budgeted revenue	£30 690
Actual revenue	£29 815

What is the sales price variance?

[1 mark]

A £445 Adverse

☐

B £445 Favourable

☐

C £875 Adverse

☐

D £875 Favourable

☐
0 5

What is the double entry to record writing off a debt from J Pawel, a credit customer?

[1 mark]

	Debit	Credit	
A	Bank	J Pawel	☐
B	Irrecoverable debts	J Pawel	☐
C	J Pawel	Bank	☐
D	J Pawel	Irrecoverable debts	☐



0 6

What is the formula for dividend yield?

[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 $\frac{\text{Ordinary share dividends paid}}{\text{Profit after interest and tax}} \times 100$ ☐

D $\frac{\text{Profit after interest and tax}}{\text{Ordinary share dividends paid}} \times 100$ ☐

0 7

What is a benefit of the payback method?

[1 mark]

A Cash flows from the whole project are considered. ☐

B Importance is placed on earlier cash flows. ☐

C Profitability of the project is calculated. ☐

D Time value of money is considered. ☐

Turn over for the next question**Turn over ►**

0 8

On 1 January credit customers are expected to owe £14 500. Sales for January are forecast to be £30 000. All sales are on credit. 50% of credit customers pay in the month of sale and receive a 2% cash discount. The rest pay in the month following the sale.

What are the receipts from trade receivables in the cash budget for January?

[1 mark]

- A** £28 910 ☐
- B** £29 200 ☐
- C** £29 500 ☐
- D** £30 000 ☐

0 9

A **new** business provides the following information.

	July	August
Budgeted production (units)	10 400	11 500

Each unit requires 2.6 kg of material.

On 31 July, the closing inventory should be 10% of the production for August.

What is the budget for material purchases for July?

[1 mark]

- A** 27 040 kg ☐
- B** 27 326 kg ☐
- C** 29 900 kg ☐
- D** 30 030 kg ☐



1 0

On 1 July 2024 a business owed insurance of £2 105. During the year ended 30 June 2025 they paid £26 495 for insurance. On 30 June 2025 insurance of £2 340 was prepaid.

What is the amount to be included for insurance in the income statement for the year ended 30 June 2025?

[1 mark]**A** £22 050☐**B** £26 260☐**C** £26 730☐**D** £30 940☐**1 1**

Explain **one** role of the Financial Reporting Council (FRC) in relation to audit and accounting.

[3 marks]

Turn over for the next question

Turn over ►

	£
Selling price	300
Direct labour (3 hours)	60
Direct materials (5 metres)	80

Stella has 36 direct labour hours available for this order. Any additional hours worked will be paid overtime at a rate of 50% extra.

[6 marks]

[illegible]

1	2	.	2
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As an alternative to making the 100 garage doors, Stella could buy them from a supplier at a price of £200 each.

The supplier will also give a discount of 20% and there will be a 5% delivery charge based on the discounted price.

Calculate the total contribution if Stella buys the 100 garage doors for the contract.

[3 marks]

Turn over for the next question

Turn over ►



1 3

In January 2026 Derik will purchase new machinery to upgrade his production facilities.

	£
Purchase cost (list price)	59 000
Delivery cost of new machinery	6 250
Installation cost of new machinery	3 970

Additional information

- Derik will receive an 8% cash discount on the list price of the new machinery.
- The projected net cash flows, which include the purchase and sale of the new machinery, for each year are:
 - 31 December 2026: £48 200
 - 31 December 2027: £53 125
 - 31 December 2028: £75 250
- On 31 December 2028 the machinery will be sold for £22 500.
- Annual depreciation is expected to be £14 000. A full year's depreciation is charged in both the year of purchase and the year of disposal.

1 3

Calculate the budgeted profit for each year of the project.

[8 marks]

Year	£
2026	
2027	
2028	



Workings

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30**Turn over for Section B****Turn over ►**

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

Mattol Ltd has developed a new toy that will be launched in July.

The marketing department has suggested the toy is sold at a discount during the launch and then the price is increased before discounting again in December. The marketing department has produced the following sales forecast.

Sales forecast

	Sales in units	Sales price per unit
July	10 000	£40
August	25 000	£40
September	30 000	£40
October	30 000	Increase by 20%
November	45 000	Price as per October
December	55 000	Decrease by 10% from November
January	30 000	Price as per December

Additional information

1. Production will start in July.
2. Closing inventory will be 20% of the following month's sales.

1 4 . 1

Prepare the sales revenue budget for each of the four months from September to December.

[4 marks]**Sales revenue budget**

	Sep	Oct	Nov	Dec



Workings _____

- 1 4 . 2** Prepare the production budget for each of the four months from September to December.

[8 marks]**Production budget**

	Sep	Oct	Nov	Dec

Workings _____

- 1 4 . 3** Calculate any shortfall in the production required for November and December if production cannot exceed 35 000 units.

[2 marks]

November _____

December _____

Turn over ►

[6 marks]

[illegible]

Turn over for the next question

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ANSWER IN THE SPACES PROVIDED**

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1 5

Byal plc manufactures two kitchen appliances, Airplus and Fryex, using batch production.

Byal plc uses activity based costing to calculate the overhead costs assigned to each product type. It has provided the following information about overheads.

Cost pool	Cost driver and basis	Overhead cost per week £
Machinery reset	Number of resets Machines are reset after each batch	132 500
Machinery inspection	Number of inspections Inspections are carried out every 300 units	204 500
Machinery maintenance	Number of machine hours	16 500

The following information is available about both products per week.

	Airplus	Fryex
Production in units	10 500	4 500
Number of units per batch	70	90
Materials costs (£)	93 030	68 250
Labour hours per unit	1 hour 30 mins	1 hour 40 mins
Machine hours	30 000	20 000

Additional information

- Labour rate is £12.50 per hour.
- The selling price for each product is based on the business making a profit of 40% on total cost.



[8 marks]

[illegible]

1 5 . 2

Calculate the selling price per unit for **Airplus** using activity based costing.**[1 mark]**

1 5 . 3

The Production Manager has asked if absorption costing can be used instead of activity based costing. She requires all fixed production overheads to be assigned using machine hours.

Calculate the selling price per unit for **Airplus** using absorption costing.**[5 marks]**



Assess whether Byal plc should use absorption costing to calculate the selling price of **Airplus**.

[illegible]

40

Section C

Answer **all** questions in this section.

1	6
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Estocon Ltd is a manufacturer. The directors are concerned about rising energy costs and have decided to install solar panels to reduce energy bills and promote a more environmentally friendly image. They are deciding whether to buy Primeria or Entrio solar panels.

The following information has been provided about both products.

	Primeria	Entrio
Cost of panels	£32 000	£12 000
Payback period	5 years and 122 days	4 years and 292 days
Expected lifespan of panels	20 years	8 years
Net present value	£19 084	£1 335
Annual servicing costs	First 3 years included in the cost	First 6 years included in the cost
Production information	Made in South Korea from recycled materials in a carbon neutral factory using the latest technology	Made in the UK, using technology first introduced 15 years ago

Additional information

1. Estocon Ltd's current premises are quite small and may not be suitable if the company achieves its ambitious growth targets. The directors have discussed moving premises within the next 5 to 8 years.
2. Solar panels usually have a low maintenance cost. However the panels may deteriorate in later years.
3. Estocon Ltd currently has cash flow problems due to an insolvent customer.



Evaluate both products (Primeria and Entrio) and advise the directors of Estocon Ltd which product they should buy.

[25 marks]

[illegible]

[illegible]

[illegible]

[illegible]

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2 5

1 7

Vowles Ltd makes screens for mobile phones and tablets and sell these to a number of small companies in the sector. Orders are based on a one-off contract with no guarantee of future work. This is because the technology used means its products change frequently. Vowles Ltd has never supplied any of the largest companies in the sector.

Pear plc is the largest company in the mobile phones and tablets sector. It recently approached Vowles Ltd with a contract to buy screens. The contract includes the following information.

Total contract value	£180 000 000 (prior to any discounts)
Contract duration	3 years
Trade discount	25%
Credit period	180 days credit to be given on all sales made to Pear plc.
Termination clause	Pear plc can cancel the contract by giving 120 days notice.
Exclusivity	Vowles Ltd will not be able to supply any company other than Pear plc for the duration of the contract.

Vowles Ltd has provided the following financial information from the 2 previous years of trading.

	2024	2023
Revenue	£32 462 000	£23 267 000
Gross profit margin	39%	40%
Profit in relation to revenue	4%	5%
Current ratio	1.8 : 1	1.6 : 1
Trade receivable days	36 days	34 days

Vowles Ltd expects to make a gross profit margin of 40% from the contract and that expenses will remain in proportion to revenue.

Whilst excited at the opportunity to work with Pear plc, Vowles Ltd also has concerns over whether the contract will be worthwhile in both the short and long term. Vowles Ltd has a number of staff who have worked with the company for a long time. It is the main employer in an area which has high levels of unemployment.



[25 marks]

[illegible]

[illegible]

[illegible]

[illegible]

50



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[illegible]

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Question number	Additional page, if required. Write the question numbers in the left-hand margin.



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3 6



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