



A Level

Accounting

7127/2 Paper 2 Financial and Management Accounting

Report on the examination

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Overall

In general, students performed well on this paper. All three sections had high attempt rates showing that centres had prepared students for all the different types of questions: multiple choice, short answer, complex calculations and longer response questions.

Numeracy was strong across the paper, similar to standards seen in previous series and as expected for accounting students. Literacy was at a level expected for a A level students.

Questions 01 to 10 inclusive

The performance across the multiple-choice questions was good. Questions 05, 06 and 08 had the best response rates. Question 05 was a double entry question. These questions are demanding because they are asked in isolation rather than as part of a set of double entry transactions and are often not answered well, so the strong performance on this question demonstrated an improvement in one of the core competencies of accounting. Question 06 required knowledge in isolation and it was clear that students were prepared. Question 08 was a budgeting question that required a calculation and knowledge of accounting terminology.

Questions 04 and 07 had the worst response rates. Question 04 was a variance question, a topic that students find challenging. Question 07 asked for a benefit of one of the capital appraisal techniques which required knowledge in isolation, a type of question that usually has a higher response rate.

Question 11

This question tested a part of the specification (the Financial Reporting Council or FRC) that had not been tested before. Many students referred to “true and fair view” but were unable to state a specific role of the FRC which led to the majority of students gaining zero marks. The minority of students who were able state a role of the FRC and explain the relationship with audit or accounting gained the higher marks.

Question 12

Many students demonstrated knowledge of marginal costing and “make or buy” decisions. Question 12.1 (the “make” option) was well-answered with many students scoring the full six marks. The most common error was the calculation of overtime which was worth one mark. Question 12.2 was the “buy” option and the majority of students gained the full three marks.

Question 13

This question was slightly different from those previously asked on projects and cash flows; the students were asked to calculate profit from cash flows rather than cash flows from profit. This led to many students losing marks for the wrong treatment of the asset purchase and disposal. Both items were worth one mark so many students scored six out of the eight marks available. Credit was given for the correct calculation for the purchase of the machinery even when it wasn't used in the final answer. This emphasises the need to show workings.

Question 14.1

This sales revenue budget question was very well-answered with a high level of students gaining the full four marks. Students used a variety of layouts within the grid provided and all received credit provided the responses were clearly labelled.

Question 14.2

Similarly to 14.1, a variety of layouts were used by students in this production budget question, but the level of understanding was not as high; the most common error was reversing the treatment of opening and closing inventory. This meant that the own figure marks for production were not available, and students gained four out of eight marks for the calculation of closing inventory.

Question 14.3

This was a follow-up question to 14.2 so it was essential for students to show workings to receive credit under the own figure rule. The majority of students were able to demonstrate an understanding of shortfalls in production and gained the full two marks. A minority of students did not attempt this question even though they had attempted 14.2. Centres are asked to remind students that the own figure rule awards credit where incorrect answers are carried forward and all questions should be attempted.

Question 14.4

This question required an assessment of the usefulness of a production budget to the business in the scenario. Less successful responses provided general benefits and limitations of budgeting rather than the specific budget in question. The best responses provided a balanced view of both reasons for and against preparing a production budget and used evidence from the context and questions 14.1 – 14.3 to provide a judgement.

Question 15.1

Question 15 had some of the least successful responses on the paper. Activity based costing is a complex costing method and some students showed a lack of understanding of cost drivers. One main error was on the machinery reset overhead which required calculating the total number of batches produced (across both products) and then applying that to the number of batches for Airplus. This was worth two marks. Some students also omitted materials from the total cost which was worth one mark.

Question 15.2

This was a follow-up question to 15.1 requiring a calculation of the selling price based on the cost and therefore it was essential for students to show workings to gain credit under the own figure rule. The majority of students accurately calculated the profit and added to cost for the one mark. Some students presented the profit as the selling price without adding it to cost. No credit was awarded for this.

Question 15.3

There were a number of non-attempts on this question which is surprising given that absorption costing is more straightforward compared to activity-based costing. The best responses apportioned the overheads accurately to Airplus and added the profit element to give the selling price. Some students did not apportion the overheads at all and therefore were limited to two marks out of five. As with 15.1, some students omitted materials from the calculation.

Question 15.4

This question required students to assess if the business should change their costing method to absorption costing. The better responses provided a balance of reasons for and against the change and used evidence (e.g. selling prices calculated in 15.2 and 15.3) to support the arguments. Some students compared absorption costing to marginal costing rather than activity based costing so were unable to utilise evidence and therefore access the higher marks.

Question 16

Many students wrote at length for this question on capital investment appraisal and used clearly structured paragraphs. The best responses took each factor in turn (i.e. cost then NPV etc) and wrote about both investment options. This approach allowed the students to explain why this factor was important and then the limitations of the data rather than writing a separate section on this later in the essay.

Less successful students repeated data from the scenario but did not explain what was good or bad about this information or why it was important and therefore did not show clear analysis. Some students showed a lack of understanding of the meaning of NPV and wrote about profits from the project rather than a current value of future cash flows.

Question 17

In this question on the acceptance of a contract, the majority of students were able to calculate the revenue, gross profit and profit for the year for the new contract and then compare those figures to the historical data provided. The better students also calculated the percentage increase in revenue over the past year and were able to provide evidence against the acceptance of the contract for financial reasons.

The stronger responses identified limitations of the data, in particular only having two years of data from Vowles Ltd (the business making the decision) and no industry benchmarks.

Less successful responses showed a lack of understanding of credit terms and trade receivables. As with question 16, data was repeated from the scenario without any reference to the significance of this information so there was limited analysis.

Mark Ranges and Award of Grades

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