

Candidate Name

Candidate Number

Centre Name

Centre Number

Paper 2: Accounting

Exam Series: May/June 2024

(1 Hour 30 Minutes)

It is necessary to respond on the answer sheets provided alongside this question paper. Additionally, you must have a soft pencil (preferably of type B or HB), a clean eraser and a dark blue or black pen.

INSTRUCTIONS:

- You must write your name, candidate number, centre name and centre number on the answer sheets in the designated spaces.
- Attempt all the questions required using a dark blue or black pen.
- It is important to follow the instructions provided on the answer sheets.
- Do not use correction fluid.
- Avoid writing on any bar codes.

INFORMATION:

The total number of **marks for this paper is 60**. The number of marks assigned for every question or its parts is indicated within brackets []

Section A: Data Response Questions

Jessica owns a boutique bakery in her local community. Over the past few years, her business has grown steadily, attracting loyal customers with its artisanal breads and unique pastries. With increased demand and a growing customer base, Jessica is considering expanding her bakery to a larger location and offering a wider range of products.

Jessica realises the importance of financial accounting in managing her bakery. She regularly maintains financial records such as income statements, balance sheets, and cash flow statements to track the bakery's financial performance. As she plans for expansion, Jessica carefully analyses her financial statements to assess the bakery's profitability, liquidity, and solvency. She needs to ensure that the bakery's financial health can support the costs associated with the expansion, including leasing a larger space, purchasing new equipment, and hiring additional staff.

Cost accounting plays a crucial role in helping Jessica understand the costs involved in producing her bakery items. By implementing cost accounting techniques, Jessica can determine the cost per unit for each product, including ingredients, labour, and overhead costs. This information enables her to set competitive prices while maintaining profitability. As Jessica considers expanding her product line, she conducts cost analyses to assess the feasibility and profitability of introducing new items. She also evaluates the cost-efficiency of her bakery's operations to identify areas where she can reduce costs and improve profitability.

In addition to financial and cost accounting, Jessica relies on management accounting to make informed decisions about her bakery's operations. Management accounting provides her with valuable insights into the bakery's performance, allowing her to set goals, monitor progress, and make strategic decisions. Jessica uses management accounting techniques such as budgeting, variance analysis, and performance measurement to effectively manage her bakery's resources and achieve its objectives. As she plans for expansion, Jessica consults her management accounts to assess the potential risks and rewards of scaling up her business.

As Jessica prepares to expand her boutique bakery, she understands the importance of financial, cost, and management accounting in managing her business effectively. By leveraging these accounting principles, Jessica can navigate the challenges of growth while ensuring the long-term success and sustainability of her bakery.

1a) Explain how Jessica could make use of financial accounting to track the performance of her boutique bakery?

(3 marks)

2a) Explain the significance of income statements, balance sheets, and cash flow statements in Jessica's decision-making process regarding the bakery's expansion.

(3 marks)

3a) Describe the role of cost accounting in Jessica's bakery expansion plans.

(2 marks)

4a) Summarise how Jessica can use cost analysis to evaluate the feasibility of introducing new products in her bakery?

(3 marks)

5a) Discuss how Jessica utilises techniques such as budgeting and variance analysis in managing her bakery's resources?

(4 marks)

6a) Define what is meant by scaling up a business?

(2 marks)

7a) State the methods of performance measurement for scaling up a business.

(2 marks)

8a) Examine the importance of performance measurement in Jessica's decision-making process.

(4 marks)

9a) Determine the role of financial statements in accounting.

(3 marks)

10a) Analyse how financial statements can assist Jessica in assessing her bakery's financial health?

(4 marks)

11a) Describe the role of ratio analysis.

(2 marks)

12a) Explore the significance of ratio analysis in determining the profitability, liquidity, and efficiency of Jessica's bakery operations.

(4 marks)

13a) Differentiate between trading and manufacturing accounts.

(3 marks)

14a) Summarise how Jessica accounts for unreleased profit resulting from manufactured goods in her bakery's financial statements.

(3 marks)

15a) State the main methods Jessica can use to calculate closing inventory in her bakery.

(2 marks)

16a) Assess the significance of absorption costing in accounting.

(2 marks)

17a) Examine the application of absorption costing to Jessica's bakery.

(4 marks)

18a) Discuss the advantages of marginal costing in the context of Jessica's bakery operations.

(4 marks)

19a) Explain the purpose of the break-even point.

(2 marks)

20a) Recommend an appropriate course of action to address limiting factors in Jessica's bakery expansion plans based on cost accounting techniques.

(4 marks)