IQM3007 A2 Teacher marking exercise

Business and Accounting · Component 2 Paper 2 Accounting

TEACHER STANDARDISATION | Selected extracts | Subject review required before distribution

These selected synthetic responses support discussion of how to apply the marking guidance. They do not form a complete assessment response. Use the approved question paper and marking scheme alongside this document. Read the identified question and mark each example independently. Record the evidence, mark and reason for your judgement before consulting the separate reference commentary.

Selected task A2(1)

Tests opportunity cost against sunk and replacement costs.

Example X

The part could be sold for £55, so I count £55 plus £40 overtime and £15 delivery = £110. I do not count the original price or the replacement price.

My evidence and marking judgement: _____

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Example Y

Relevant cost is £90+40+15=£145. Replacement price not relevant.

My evidence and marking judgement: _____

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Example Z

Relevant cost: sale proceeds forgone £55 + overtime £40 + additional delivery £15 = £110. The £90 is sunk because already paid. The £110 replacement price is excluded because no replacement is needed if the part is used. £55 is the opportunity cost of giving up the sale.

My evidence and marking judgement: _____

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Discussion: Which differences in these responses change the credit awarded? Which features should not affect the judgement?

Selected task B1(1)

Demonstrates monthly timing of cash receipts and payments and the funding trough.

Example X

Cash budget (£). I assumed suppliers are paid in full in the month of purchase. Receipts are correctly timed: Jan 34,000; Feb 44,000; Mar 54,000. I excluded depreciation as it is non-cash.

£	January	February	March
Receipts	34,000	44,000	54,000
Supplier payments	22,000	28,000	32,000
Wages	8,000	9,000	10,000
Cash overheads	5,000	5,000	5,000
Machine	0	20,000	0
Total payments	35,000	62,000	47,000
Net cash flow	−1,000	−18,000	7,000
Opening cash	8,000	7,000	−11,000
Closing cash / funding	7,000	−11,000	−4,000

My evidence and marking judgement: _____

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Example Y

Jan customers pay 40% of January sales=16,000; Feb=20,000; Mar=24,000. Suppliers 11,000; 14,000; 16,000. wages 8,000/9,000/10,000, overhead 5,000 each, machine Feb 20,000. Jan total pay 24,000 net −8,000 closing 0; Feb pay 48,000 net −28,000 closing −28,000; Mar pay 31,000 net −7,000 closing −35,000. Depreciation is not cash.

£	January	February	March
Receipts	16,000	20,000	24,000
Supplier payments	11,000	14,000	16,000
Wages	8,000	9,000	10,000
Cash overheads	5,000	5,000	5,000
Machine	0	20,000	0
Total payments	24,000	48,000	31,000
Net cash flow	−8,000	−28,000	−7,000
Opening cash	8,000	0	−28,000
Closing cash / funding	0	−28,000	−35,000

My evidence and marking judgement: _____

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Example Z

Cash budget (£): January receipts: customers 30,000×60%+40,000×40%=34,000. February 40,000×60% +50,000×40%=44,000. March=50,000×60%+60,000×40%=54,000. Suppliers: Jan 18,000×50% +22,000×50%=20,000; Feb=22,000×50%+28,000×50%=25,000; Mar=28,000×50%+32,000×50%=30,000. Depreciation is non-cash so excluded.

£	January	February	March
Receipts	34,000	44,000	54,000
Supplier payments	20,000	25,000	30,000
Wages	8,000	9,000	10,000
Cash overheads	5,000	5,000	5,000
Machine	0	20,000	0
Total payments	33,000	59,000	45,000
Net cash flow	1,000	−15,000	9,000
Opening cash	8,000	9,000	−6,000
Closing cash / funding	9,000	−6,000	3,000

My evidence and marking judgement: _____

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Discussion: Which differences in these responses change the credit awarded? Which features should not affect the judgement?

Selected task B2(3)

Tests a full incremental statement including scarce-capacity opportunity cost.

Example X

Revenue £20,800. Relevant costs: replacement material £9,600, labour £2,400, other variable costs £3,200 and supervisor £1,200, total £16,400. Net benefit from order is £4,400. The next-best use contributes £2,400, so the special order is ahead by £2,000 and financially preferable.

My evidence and marking judgement: _____

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Example Y

Revenue 20,800 less materials 7,200 less labour 2,400 less other 3,200 less supervisor 1,200=6,800 profit. It is better than 2,400 by 4,400.

My evidence and marking judgement: _____

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Example Z

Special-order statement: revenue 400×£52=£20,800. Relevant material opportunity cost £6,000; additional labour 400×£6=£2,400; other variable costs 400×£8=£3,200; supervisor £1,200. Total order-relevant costs=£12,800. Net benefit before capacity cost=£8,000. Less next-best contribution forgone £2,400 gives incremental advantage £5,600. Special order is financially preferable by £5,600, assuming the stated costs and capacity comparison.

My evidence and marking judgement: _____

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Discussion: Which differences in these responses change the credit awarded? Which features should not affect the judgement?