IQM3007 A2 Teacher reference commentary

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. Use this proposed commentary after the independent marking exercise. The reference judgements require subject confirmation.

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.

Proposed mark: 4 / 6

Marking explanation: 1 for £55 sale proceeds forgone, 1 for £40 overtime plus £15 delivery and 1 for £110 total. The sale-versus-use statement conveys the opportunity-cost trade-off (1). The original/replacement amounts are excluded but neither exclusion is explained, so the two explanation marks are withheld.

Example Y

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

Proposed mark: 1 / 6

Marking explanation: Awarded 1/6 marks for: Overtime £40 and delivery £15 identified as additional costs. Withheld marks for: £55 sale proceeds forgone identified as material opportunity cost; Total relevant cost correctly calculated as £110; £90 original cost explained as sunk/already incurred; £110 replacement excluded because no replacement is needed; £55 opportunity cost explained as the lost next-best sale.

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.

Proposed mark: 6 / 6

Marking explanation: Awarded 6/6 marks for: £55 sale proceeds forgone identified as material opportunity cost; Overtime £40 and delivery £15 identified as additional costs; Total relevant cost correctly calculated as £110; £90 original cost explained as sunk/already incurred; £110 replacement excluded because no replacement is needed; £55 opportunity cost explained as the lost next-best sale.

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

£	January	February	March
Closing cash / funding	7,000	−11,000	−4,000

Proposed mark: 15 / 18

Marking explanation: Awarded 15/18 marks for: January cash receipts correctly calculated as £34,000; February cash receipts correctly calculated as £44,000; March cash receipts correctly calculated as £54,000; Wages entered as £8,000/£9,000/£10,000 in the respective months; Cash overheads entered as £5,000 each month; Machine payment of £20,000 entered in February only; Depreciation excluded from cash payments; January net cash flow correctly stated or consequentially calculated; February net cash flow correctly stated or consequentially calculated; March net cash flow correctly stated or consequentially calculated; Opening cash of £8,000 entered for January; January closing cash correctly calculated/carry-forward; February closing cash correctly calculated/carry-forward; March closing cash correctly calculated/carry-forward; Clear monthly budget structure identifies total payments, opening and closing/funding balances. Withheld marks for: January supplier payments correctly timed as £20,000; February supplier payments correctly timed as £25,000; March supplier payments correctly timed as £30,000.

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

Proposed mark: 12 / 18

Marking explanation: Awarded 12/18 marks for: Wages entered as £8,000/£9,000/£10,000 in the respective months; Cash overheads entered as £5,000 each month; Machine payment of £20,000 entered in February only; Depreciation excluded from cash payments; January net cash flow correctly stated or consequentially calculated; February net cash flow correctly stated or consequentially calculated; March net cash flow correctly stated or consequentially calculated; Opening cash of £8,000 entered for January; January closing cash correctly calculated/carry-forward; February closing cash correctly calculated/carry-forward; March closing cash correctly calculated/carry-forward; Clear monthly budget structure identifies total payments, opening and closing/funding balances. Withheld marks for: January cash receipts correctly calculated as £34,000; February cash receipts correctly calculated as £44,000; March cash receipts correctly calculated as £54,000; January supplier payments correctly timed as £20,000; February supplier payments correctly timed as £25,000; March supplier payments correctly timed as £30,000.

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

£	January	February	March
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

Proposed mark: 18 / 18

Marking explanation: Awarded 18/18 marks for: January cash receipts correctly calculated as £34,000; February cash receipts correctly calculated as £44,000; March cash receipts correctly calculated as £54,000; January supplier payments correctly timed as £20,000; February supplier payments correctly timed as £25,000; March supplier payments correctly timed as £30,000; Wages entered as £8,000/£9,000/£10,000 in the respective months; Cash overheads entered as £5,000 each month; Machine payment of £20,000 entered in February only; Depreciation excluded from cash payments; January net cash flow correctly stated or consequentially calculated; February net cash flow correctly stated or consequentially calculated; March net cash flow correctly stated or consequentially calculated; Opening cash of £8,000 entered for January; January closing cash correctly calculated/carry-forward; February closing cash correctly calculated/carry-forward; March closing cash correctly calculated/carry-forward; Clear monthly budget structure identifies total payments, opening and closing/funding balances.

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.

Proposed mark: 8 / 9

Marking explanation: Award 1 each for revenue, labour, other variable costs, supervision and the £2400 opportunity cost. Withhold 1 for material cost: replacement is not relevant. Under the general consequential-working rule, credit 1 for the consistent cost calculation, 1 for £2000 advantage and 1 for the preference based on that advantage. The wrong material principle is penalised once, not again in dependent arithmetic. The £16400 order cost plus £2400 capacity cost is £18800.

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.

Proposed mark: 8 / 9

Marking explanation: 1 each for revenue £20800, labour £2400, other costs £3200 and supervision £1200. Material historical cost is wrong (0). Credit 1 for comparing with the £2400 next-best contribution. Under consequential working, credit 1 for consistent total order costs £14000 implied by the listed items, 1 for the incremental £4400 and 1 for choosing the special order on that result. Do not penalise the material principle again in dependent arithmetic.

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.

Proposed mark: 9 / 9

Marking explanation: All nine marks are earned. Revenue £20800; materials £6000; labour £2400; other variable costs £3200; supervision £1200; next-best contribution £2400. The approved alternative comparison gives £8000 before capacity cost less £2400 = £5600, so a separately displayed £15200 total is unnecessary. The stated preference is correct.