

Candidate Name

Centre Number

Candidate Number



ZIMBABWE SCHOOL EXAMINATIONS COUNCIL

General Certificate of Education Advanced Level

ACCOUNTING

6001/2

PAPER 2: Structured Questions

JUNE 2019 SESSION

1 hour 45 minutes

Candidates answer on the question paper
Additional materials:
No additional materials are required

TIME 1 hour 45 minutes

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces at the top of this page.

Answer **all** questions.

Write your answers in the spaces provided on the question paper. If you require extra paper, ask the supervisor for supplementary answer paper.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [] at the end of each question or part question.

You may use a calculator.

The businesses in this paper are fictitious.

FOR EXAMINER'S USE	
1	
2	
3	
4	
TOTAL	

This question paper consists of 15 printed pages and 1 blank page.

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[Turn over



(a) Explain the following errors and give one example in each case.

(i) Error of principle,

[2]

(ii) Error of original entry,

[2]

(iii) Compensating error.

[2]

(b) A trial balance was extracted from the books of B. Foster for the year ended 31 December 2015. The balances as at 31 December 2015 were \$173 305 debit and \$173 265 credit. A suspense account was opened for the difference. The final accounts showed a net profit of \$4 000. Subsequently, the following errors were discovered:

- (i) Returns outwards of \$25 have been posted to the debit side of returns inwards account.
- (ii) Discounts allowed of \$20 have been credited to discounts received account.
- (iii) \$30 of the insurance paid related to private insurance premium for B. Foster. In an attempt to correct the error the insurance account was debited with \$30.
- (iv) Fixtures and fittings bought during the year for \$3 500 have been debited to the purchases account. The company does not provide for depreciation in the year of purchase of non-current assets.
- (v) A cheque of \$75 from a trade receivable has been dishonoured but no record has been made in the accounts.

(i) Journal entries to correct the above errors. Narratives are not required.

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- 2 The trial balance of James limited, a manufacturing company as at 31 December 2015 is as follows:

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	Debit \$	Credit \$
Inventories at 31 December 2014		
Raw materials	700	
Finished goods	2 904	
Work in progress	2 788	
Sales		45 184
Direct factory wages	7 900	
Indirect factory wages	2 940	
Raw materials purchases	10 110	
Factory maintenance	1 948	
Indirect factory materials	780	
Factory power	2 826	
Selling and distribution expenses	3 578	
Administrative expenses	4 658	
Provision for unrealised profit at 31 December 2014		264
Ordinary shares of \$0,50 each		12 000
Share premium		6 000
Income statement		3 060
Freehold buildings at cost	9 000	
Plant and machinery at cost	33 000	
Provision for depreciation on Freehold buildings at 31 December 2014		1 350
Provision for depreciation on Plant and machinery at 31 December 2014		18 040
Bank	684	
Trade payables		1 920
Trade receivables	4 002	
	<u>87 818</u>	<u>87 818</u>

Additional information

- (i) Closing inventories as at 31 December 2015:
- | | |
|------------------|---------|
| Raw materials | \$ 582 |
| Finished goods | \$3 696 |
| Work in progress | \$3 300 |
- (ii) All goods manufactured are transferred from the manufacturing account to the Income Statement at cost plus 10%.
- (iii) It is company policy to provide for depreciation as follows:
- Freehold buildings $2\frac{1}{2}\%$ per annum on cost.
Plant and machinery 10% per annum on cost.
Freehold buildings depreciation is apportioned $\frac{2}{5}$ to the factory and $\frac{3}{5}$ to the administrative overheads.

Prepare for James Limited:

- (a) Manufacturing Account for the year ended 31 December 2015.

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(c) State two reasons for preparing a Manufacturing Account.

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- 3 (a) State one user of financial statements.

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[1]

- (b) The following are the Income statements and Statements of financial position for Pelly Limited.

Income statements for the year ended

	31 Dec 2015	31 Dec 2016
	\$	\$
Revenue	243 150	291 950
Operating profit	8 619	10 335
Interest payable	(992)	(992)
Profit before taxation	7 627	9 343
Taxation	(2 867)	(3 513)
Profit for the year	4 760	5 830
Retained profit b/d	11 770	15 410
	16 530	21 240
Ordinary dividends paid during the year	(1 120)	(1 200)
Retained profit c/d	15 410	20 040

Statements of financial position as at:

	31 Dec 2015	31 Dec 2016
	\$	\$
Equity		
Ordinary shares of \$0,25 each	4 960	4 960
Retained profits	15 410	20 040
	20 370	25 000
Non-current liabilities		
10% Loan 2015/2019	9 920	9 920
Current liabilities		
Trade payables	17 195	19 608
Taxation	1 237	1 630
	18 432	21 238
	48 722	56 158
Non-current assets		
Current assets	2 498	6 350
Inventory	20 073	25 228
Trade receivables	20 105	21 685
Cash at bank	6 046	2 895
	46 224	49 808
	48 722	56 158

Calculate the following ratios for each of the two years. Round your answers to two decimal places.

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(i) Earnings per share,

[4]

(ii) Current ratio,

[4]

(iii) Acid-test ratio,

[4]

(iv) Trade receivables collection period,

[4]

- (v) Return on equity.

[4]

- (c) Using any two ratios calculated, comment on the changes in liquidity over the two years.

[4]

4 (a) Define the following terms:

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(i) Cost centre,

[1]

(ii) Overhead under-absorption,

[1]

(iii) Margin of safety.

[1]

- (b) Zicco Limited runs a factory with four departments. Production departments are Machine shop and Assembly shop whereas Service departments are Maintenance department and Power house department. Budgeted overheads for the coming year are as follows:

	Production departments		Service departments	
	Machine shop \$	Assembly shop \$	Maintenance department \$	Powerhouse departments \$
Total overheads	131 050	145 050	141 900	51 000

The following information is given:

	Machine shop	Assembly shop	Maintenance department	Powerhouse department
Machine hours	55 400	11 600		
Direct labour hours	16 000	24 000		
Maintenance hours	9 000	3 000	-	-
Units of power used	21 000	6 000	3 000	-

- (i) Reapportion the costs of Service departments to the Production departments showing the appropriate basis used.

[4]

- (ii) Calculate an overhead absorption rate for the Machine shop based on machine hours and Assembly shop based on direct labour hours.

[6]

- (c) Zicco limited received an order for job A101. The following details are available for the job.

	Machine shop	Assembly
Direct materials	\$ 2 000	\$8 000
Direct labour	\$10 000	\$5 000
Direct labour hours	100	300
Machine hours	200	50

Zicco Limited adds a mark-up of 20% on each job.

Calculate the selling price for job A101.

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[8]

- (d) Identify two differences between *Marginal costing* and *Absorption costing*.

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[4]