Candidate Name | Centre Number | Candidate Number

ZIMBABWE SCHOOL EXAMINATIONS COUNCIL
General Certificate of Education Advanced Level

ACCOUNTING 6001/2
PAPER 2: Structured Questions

JUNE 2020 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 intended to be fictitious.

FOR EXAMINER'S USE	
1	
2	
3	
4	
TOTAL	

This question paper consists of 17 printed pages and 3 blank pages.

1 (a) (i) Define the term principal budget factor.

[1]

(ii) List any **three** principal budget factors.

[3]

(iii) Explain the difference between a fixed budget and a flexible budget.

[2]

(b) The following information relates to Dube Limited's Production budget for the year ended 30 June 2017, representing 75% capacity which is 75 000 units.

	$
Direct materials	375 000
Direct labour	187 500
Direct expenses	45 000
Heating and Lighting (including fixed $2 000)	5 000
Water (30% variable)	25 000
Insurance	4 500
Depreciation on Plant	12 000
Total cost	654 000

Prepare a flexible budget for 85% capacity.

(c) The actual production for the year ended 30 June 2018 for 85 000 units is as follows:

	$
Direct materials	430 000
Direct labour	200 000
Direct expenses	42 500
Heating and Lighting	5 300
Water	25 500
Insurance	4 500
Depreciation on Plant	12 000
Total cost	719 800

Calculate the percentage change for the following production cost item:

(i) direct materials,

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____ [2]

(ii) direct labour,

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____ [2]

(iii) water.

[2]

(d) Explain **two** benefits of budgeting in an organisation.

[4]

2 (a) State the importance of a trial balance.

[1]

(b) List **four** errors which are revealed by a trial balance.

[4]

(c) Lee extracted a trial balance from his business books as at 31 December 2016. The trial balance totals were $ 50 000 (debit) and $47 500 (credit). The difference was entered in the suspense account so that he could prepare the draft financial statements. Net profit for the year was $20 000.

Subsequently, Lee found the following errors:

1. The purchase of motor vehicle $5 000 had been debited to motor expenses account.
   Depreciation is provided on motor vehicles at 10% per annum on cost.
2. Commission received $ 400 had been debited to commission paid account.
3. The return of goods with a value of $ 600 to Anita, a supplier, had been debited to Anita's account and credited in the sales account.
4. A debit balance in the sales ledger of $ 1 000 had been omitted from the list of balances extracted from the ledger.
5. Sales day book total $15 200 had been posted to the ledger as $ 12 500.

(i) Prepare the journal entries necessary to correct the errors.
Narrations are not required.

[7]

Write up the

(ii) Suspense account

[5]

(iii) Statement of the corrected net profit.

[6]

(d) Explain the treatment of the remaining balance in the suspense account, which is not sufficiently material to warrant any delay in publishing accounts.

[2]

3 (a) State **three** reasons why the bank statement balance may differ from the cash book balance.

[3]

(b) The cash book bank column of Amos at 30 September 2016 showed a debit balance of $ 10 000. On the same date, the bank statement balance did not agree with the cash book balances.

The following errors were discovered:

1. Bank charges of $ 500 were omitted from the cash book.
2. A cheque, number 156802 for $ 6 500 sent to Kuda, a supplier had not been presented for payment.
3. A direct debit for $ 2 000 had been debited twice in the bank statement.

4. Cheques from customers, Tatenda \$1 500 and Masline \$3 000 were deposited in the bank but are not yet showing on the bank statement.
5. A standing order \$1 700 for insurance was not recorded in the cash book.

Prepare:

(i) an Updated cash book.

[3]

(ii) a Bank reconciliation statement as at 30 September 2016.

[6]

(c) Amos's sales ledger control account balance of $ 25 500 for the month of December 2016 did not agree with the list of balances from the sales ledger.

The following errors were found after checking the accounts:

1. Cash received from Vimba $ 5 200 had been debited to her personal account.
2. A contra entry of $ 3 600 with purchases ledger had not been entered in the control account.
3. A sales invoice of $ 6 000 had been completely omitted from the books.
4. Discount allowed had been overstated by $ 700.
5. A cheque of $ 4 000 received from a customer had been dishonoured by the bank, but no adjustment had been made in the control account.
6. A customer's account balance of $2 500 had not been included in the list of balances.
7. A credit note of $ 1 200 which had been sent to a customer was entered in the sales journal and posted as a sale to both accounts.

Prepare a:

(i) Sales ledger control account.

[6]

(ii) Statement reconciling sales ledger control balance and the list of balances from the sales ledger.

[7]

4 (a) Identify **four** major classes of ratios.

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____ [4]

(b) Outline the information needs of the following users of accounting information:

(i) government

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____ [2]

(ii) management

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____ [2]

(e) The following information relates to the business of Adam, a retailer for the year ended 31 December 2017:

Mark-up	25%
Rate of inventory turnover	10 times
Net profit percentage	5%
Current ratio	2,5 : 1
	$
Sales	300 000
Sales returns	50 000
Trade receivables	15 000

Inventory on 1 January 2017 was $ 10 000 less than the closing inventory.

(i) Prepare the Income statement for the year ended 31 December 2017, showing clearly inventories, purchases and operating expenses.

[9]

Ben is also in the same line of business as Adam. The following information relates to his business for the year ended 31 December 2017:

Mark-up	23%
Rate of inventory turnover	18 times
Net profit percentage	9%
Current ratio	1,5 : 1

(ii) Comment on the profitability of Adam and Ben's business.

[4]

(d) Explain **two** limitations of accounting ratios.

[4]