

Surname

Forename(s)

Centre Number

Candidate Number



For Performance Measurement

**ZIMBABWE SCHOOL EXAMINATIONS COUNCIL**  
**General Certificate of Education Advanced Level**

**ACCOUNTING**  
PAPER 1 Multiple Choice

**6001/1**

**SPECIMEN PAPER**

1 hour 20 minutes

Additional materials:

Multiple Choice answer sheet

Soft clean eraser

Soft pencil (type B or HB is recommended)

**TIME** 1 hour 20 minutes

**INSTRUCTIONS TO CANDIDATES**

**Do not open this booklet until you are told to do so.**

Write your name, centre number and candidate number on the answer sheet in the spaces provided unless this has already been done for you.

There are **forty** questions in this paper. Answer **all** questions. For each question there are four possible answers, **A, B, C** and **D**. Choose the **one** you consider correct and record your choice in **soft pencil** on the separate answer sheet.

**Read very carefully the instructions on the answer sheet.**

**INFORMATION FOR CANDIDATES**

Each correct answer will score **one** mark. A mark will **not** be deducted for a wrong answer.

Any rough working should be done in this booklet.

Calculators may be used.

The businesses in this question paper are intended to be fictitious.

**This question paper consists of 11 printed pages and 1 blank page.**

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- 1 The method of depreciation normally used for loose tools in a manufacturing company is
- A machine hour method.
  - B reducing balance method.
  - C revaluation method.
  - D straight line method.

- 2 Accruals and prepayments are adjusted for in the statement of comprehensive income. On which accounting concept is this statement based?
- A Accruals
  - B Consistency
  - C Prudence
  - D Substance over form

- 3 Nkomo and Moyo were in partnership sharing profits and losses equally. Their statement of financial position extract as at 31 December 2008 was as follows:

Equity	Nkomo	Moyo
	\$	\$
Capital accounts	64 000	64 000
Current accounts	60 000	20 000

On 1 January 2009 they agreed to adjust their profit sharing ratio to 3:2 respectively. Goodwill was valued at \$50 000.

How are their capital accounts adjusted on 1 January 2009?

	Nkomo	Moyo
A	Cr capital account \$ 5 000	Cr capital account \$ 5 000
B	Cr capital account \$ 5 000	Dr capital account \$ 5 000
C	Cr capital account \$ 30 000	Cr capital account \$ 20 000
D	Dr capital account \$ 5 000	Cr capital account \$ 5 000

- 4 A limited company purchases a business by issuing 320 000 \$1 ordinary shares at a premium of \$0, 75 per share. Goodwill of \$ 150 000 arises on the purchase.

What is the fair value of the net assets of the business being purchased?

- A \$ 410 000
- B \$ 470 000
- C \$ 560 000
- D \$ 710 000

- 5 Bonus shares may be issued to

- A increase capital reserves.
- B increase revenue reserves.
- C reduce equity.
- D reduce revenue reserves.

- 6 The following is an extract from the statement of financial position of Simba Ltd.

Share capital and reserves	\$
200 000 ordinary shares of \$1 each	200 000
150 000 8% preference shares of \$1 each	150 000
Share premium account	50 000
General reserve	100 000
Profit and loss account	<u>(40 000)</u>
	<u>460 000</u>

What is the fair value of 100 ordinary shares?

- A \$100  
 B \$155  
 C \$175  
 D \$280
- 7 A company purchased a motor vehicle for \$ 25 000.  
 An old vehicle with \$ 7 000 net book value was traded in at a value of \$5 000 and the balance was paid by cheque.

How much was recorded in the statement of cash flows?

- A \$ 15 000  
 B \$ 20 000  
 C \$25 000  
 D \$27 000
- 8 A company issued 300 000 ordinary shares of \$0,50 each. It makes a bonus issue of two shares for every three held, followed by a rights issue of one share for every two held at \$0,75 per share, fully paid.

What was the increase in the share capital account as a result of the bonus and rights issues?

- A \$175 000  
 B \$225 000  
 C \$275 000  
 D \$287 500
9. A firm uses cash for purchases. What is the effect of this transaction on the current ratio and quick ratio of the firm?

	Current ratio	Quick ratio
A	decreases	decreases
B	decreases	increases
C	no change	decreases
D	no change	increases

- 10 A company has an issued share capital of 500 000 ordinary shares of \$1 each  
The following is an extract of a statement of comprehensive income of the company.

	\$
Operating profit	400 000
Debenture interests	<u>(60 000)</u>
	340 000
Transfer to general reserve	(100 000)
Ordinary dividend	<u>(200 000)</u>
Retained profit	<u><u>40 000</u></u>

The current market price per share is \$3,60.

What is the price earnings ratio?

- A 5,29  
B 7,5  
C 8  
D 12,86
- 11 A trade payables ledger control account has a closing balance of \$ 92 460. A contra for \$720 was entered on the wrong side of the trade payables ledger control account.

What is the corrected trade payables ledger control account balance?

- A \$91 020  
B \$91 740  
C \$93 180  
D \$93 900
- 12 Chipo`s financial year ends on 30 April. She pays an annual rent of \$ 12 000. The payments are made quarterly in advance, on 1 January, 1 April, 1 July and 1 October.

Which amount should be included in her statement of financial position as at 30 April?

- A \$1 000 accrual  
B \$1 000 prepayment  
C \$2 000 accrual  
D \$2 000 prepayment
- 13 Maintaining a provision for doubtful debts in a business' books of accounts is in compliance with matching and
- A going concern concepts.  
B materiality concepts.  
C prudence concepts.  
D realisation concepts.

14 The surplus of fair value of net assets over purchase consideration is

- A goodwill.
- B inherent goodwill.
- C negative goodwill.
- D purchased goodwill.

15 The information below relates to Agro Business Pvt Ltd the month of January.

	\$
Trade receivables as at 1 January	400
Credit sales	1 6 810
Sales returns	1 150
Discount allowed	276
Bad debts written off	100
Increase in provision for doubtful debts	600
Trade receivables as at 31 January	5 006

How much cash was received from trade receivables?

- A \$ 10 078
- B \$ 10 678
- C \$ 10 778
- D \$ 20 690

16 In partnership accounts, interest on drawings should be

- A credited to appropriation account.
- B debited to appropriation account.
- C credited to income statement.
- D debited to income statement.

17 The following information is made available by ABC Ltd.

	31 December 2011	31 December 2012
	\$000	\$000
Inventory	80	90
Trade receivables	80	60
Bank	30	40
Trade payables	70	80

Profit before interest and tax was \$ 100 000. Interest for the year was \$10 000 and depreciation was \$ 40 000.

What was the net cash generated from operating activities in 2012?

- A \$100 000
- B \$120 000
- C \$160 000
- D \$180 000

18. A business with net assets of \$120 000 is purchased for \$180 000. The purchase consideration is settled by an issue of \$1 ordinary shares at a premium of \$2,60 per share.

How many shares were issued?

- A 46 154
- B 50 000
- C 69 231
- D 180 000

19. A firm has an authorised share capital of 100 000 ordinary shares of \$ 0,50 each. It has issued share capital of 70 000 ordinary shares of \$ 0,50 each fully paid. A dividend of 6% has been recommended.

What is the amount of dividend to be paid?

- A \$ 2 100
- B \$ 3 000
- C \$ 4 200
- D \$ 6 000

20. Share premium account is used for all of the following except

- A issue of bonus shares.
- B payment of cash dividends.
- C providing for premium on redemption of debentures.
- D writing off preliminary expenses on company formation.

21. A change in a method of depreciation should only be done if financial results will be

- A consistent
- B published
- C stated fairly
- D window dressed

22. A limited company acquires a business whose net assets are valued at \$ 230 000 for \$ 250 000. The purchase consideration was settled by an issue of 80 000 ordinary shares of \$1 each at a price of \$2 each, \$ 50 000 6 % debentures and the balance in cash.

How much cash was paid?

- A \$ 40 000
- B \$ 90 000
- C \$ 100 000
- D \$ 120 000

- 23 Closing inventory of a business was \$ 30 000 and cost of sales \$ 600 000.  
Rate of stock turnover was 15 times.

What is the value of opening inventory?

- A \$ 10 000
- B \$ 40 000
- C \$ 50 000
- D \$ 80 000

- 24 Discount received had been debited to the discount allowed account.

Which journal entry corrects the error?

- |   | Debit   | Credit  |
|---|---|---|
| A | discount allowed account<br>discount received account | Suspense account                                      |
| B | discount received account                             | Suspense account                                      |
| C | suspense account                                      | discount allowed account                              |
| D | suspense account                                      | discount allowed account<br>discount received account |

- 25 Gearing may be reduced by

- A buying back ordinary shares.
- B issuing bonus shares.
- C issuing convertible loan stock.
- D a rights issue.

- 26 The following information is available for a company.

		\$
Accrued dividends for:	Year 1	75 000
	Year 2	120 000
Dividends proposed and paid in	Year 2	170 000

What is the amount of dividends to be recorded in the statement of cashflow for year 2 ?

- A \$ 125 000
- B \$ 170 000
- C \$ 215 000
- D \$ 365 000

- 27 The following events occurred after the year end, but before the financial statements were approved by directors.

Which of the following is an adjusting event?

- A closure of factory due to increased operational costs
- B conversion of loan stock into ordinary shares
- C flood damage to inventory
- D insolvency of a major trade receivable existing at the reporting date

- 28 A vehicle with a cost price of \$ 30 000 was disposed for \$ 9 000 and the profit on disposal was \$ 1500.

What is the accumulated depreciation on the disposed vehicle?

- A \$ 19 500
- B \$ 21 000
- C \$ 22 500
- D \$ 37 500

- 29 Information for a company is given below

	\$
Inventory at 1 July 2010	4 200
Inventory at 30 June 2011	4 675
Sales for the year	40 000

Mark up  $33\frac{1}{3}\%$

What are the purchases for the year?

- A \$ 21 125
- B \$ 27 142
- C \$ 29 525
- D \$ 30 475

- 30 Which of the following is a capital reserve?

- A asset replacement reserve
- B general reserve
- C retained earnings
- D revaluation reserve

- 31 Flexible budgets are significant for

- A Controlling and monitoring organisational performance
- B Forecasting future sales
- C Identifying budgeted fixed costs
- D Monitoring trends in material price changes



- 32 A company intends to purchase a machine worth \$10 000. The machine has an expected annual cash inflows of \$5 000 for the next 3 years.

The discount factors at 10% per annum are as follows:

Year	1	0,909
	2	0,826
	3	0,751

What is the net present value?

- A  \$2 430  
 B  +\$ 2 430  
 C  \$12 430  
 D  +\$12 430
- 33 A company has an adverse direct material usage variance, an adverse direct labour efficiency variance and a favourable direct material price variance. These variances have a direct relationship.

What could be the most likely reason for the relationship?

- A Direct labour was skilled.  
 B Direct labour was unskilled.  
 C High quality materials were used.  
 D Inferior quality materials were used.
- 34 The information given below relates to a manufacturing entity.

	Budget	Actual
Materials	2 000kg	1 950kg
Price per kg	\$ 3,50	\$ 3,00

What is the material price variance?

- A \$ 975 A  
 B \$ 975 F  
 C \$ 1 000 A  
 D \$ 1 000 F
- 35 Manufacturing businesses add overheads to prime cost in order to
- A control overhead expenditure.  
 B enable overheads to be apportioned to cost centres.  
 C establish cost of production.  
 D establish the overhead apportionment base.

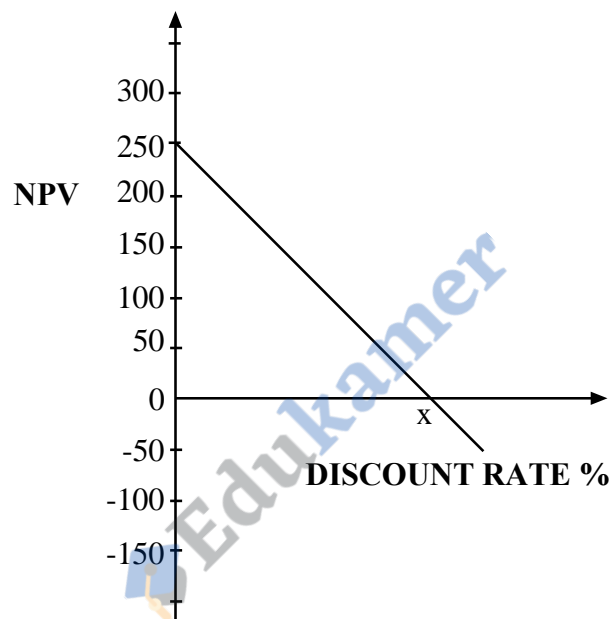
36 The information given below is for a manufacturing company

Production in units	6 000	12 000
Production overheads	\$ 33 000	\$ 45 000
Administration overheads	\$ 27 000	\$ 27 000

What are the total fixed costs?

- A \$ 21 000
- B \$ 27 000
- C \$ 48 000
- D \$ 60 000

37. The graph below represents a project being considered for investment by a company.



X represents

- A accounting rate of return.
- B present value.
- C internal rate of return.
- D payback period.

38. All things being equal, which budget should be prepared first?

- A Cash budget
- B Master budget
- C Production budget
- D Sales budget

39 The purpose of management accounting is to

- A calculate cost of production.
- B determine the contribution made by employees.
- C give a true and fair view of a company's financial situation.
- D provide relevant information for decision making.

40 Information in the table below relates to the production of three products X, Y and Z.

Product	X	Y	Z
Fixed costs per unit	\$ 125	\$ 130	\$ 160
Contribution per unit	\$ 160	\$ 175	\$ 190
Labour hours per unit	1 hr	1,25hrs	0,75hrs

There is a shortage of labour in the company. In which order should the products be produced to maximise profit?

	First	Second	Third
A	X	Y	Z
B	Y	X	Z
C	Z	X	Y
D	Z	Y	X



