Surname	Forename(s)	Centre Number	Candidate Number

For Performance Measurement

ZIMBABWE SCHOOL EXAMINATIONS COUNCIL

General Certificate of Education Advanced Level

ACCOUNTING 6001/1

PAPER 1 Multiple Choice

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 loses 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.

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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	(40 000)
	460 000

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

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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	(60 000)
	340 000
Transfer to general reserve	(100 000)
Ordinary dividend	(200 000)
Retained profit	40 000

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.

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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

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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 on authorised share capital of 100 000 ordinary share 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

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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 discount received account	Suspense account
B	discount received account	Suspense account
C	suspense account	discount allowed account
D	suspense account	discount allowed account discount received account

25 Gearing may be reduced by

A buying back ordinary shares.
B issuing bonus shares.
C issuing convertable 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

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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

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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.

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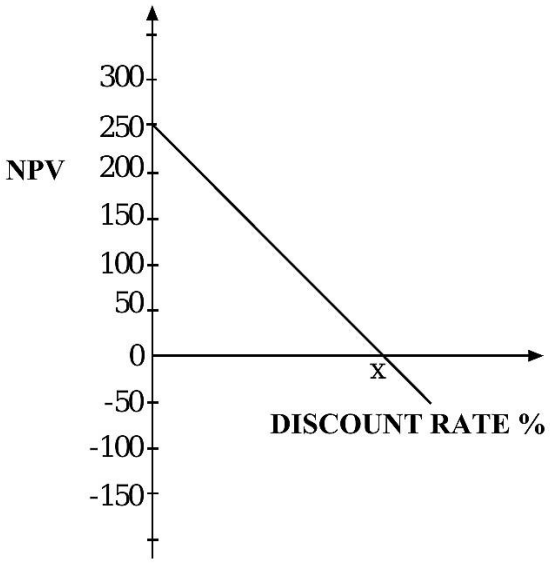
36 The information given below is for a manufacturing company

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

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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

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