Candidate Name	Centre Number	Candidate Number

ZIMBABWE SCHOOL EXAMINATIONS COUNCIL

General Certificate of Education Advanced Level

ACCOUNTING 6001/2

PAPER 2: Structured Questions

SPECIMEN PAPER 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	
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4	
TOTAL	

This question paper consists of 14 printed pages and 2 blank pages.

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1. The Deluxe Club provides social and leisure activities for its members.

The following was its Statement of Financial Position at 31 August 2014.

	$	$
Non-Current Assets		
Bar fixtures and equipment at cost	13 250	
Less: Depreciation	4 375	8 875
Current Assets		
Inventory	5 250	
Cash at bank	8 000	
Cash in hand	150	13 400
		22 275
Financed by:		
Accumulated fund		17 000
Current liabilities		
Trade payables	2 525	
Rent accrual	2 750	5 275
		22 275

The cash transactions for the year ended 31 August 2015 were as follows:

	$
Bar sales for the year	100 000
Less payments	
Christmas disco expenses	425
Wages	32 250
Cleaning	255
Purchases	27 500
New bar equipment	500

Additional Information

1. Cash sales totalling $39 070 were banked during the year.
2. Subscriptions amounting to $12 500 were paid directly into the bank.
3. There was no inventory count at the end of the year. The gross profit margin was 40%.
4. Credit purchases were $35 250.
5. Rent due is 1½% of bar sales.
6. Depreciation for bar fixtures and equipment is 20% per annum on cost.

7. Cheque payments were as follows:

	$
Suppliers for purchases	33 875
Cleaning	650
New display cabinets	3 750
General expenses	9 500
Rent	2 750

Prepare the

(a) Bar Trading Account for the year ended 31 August 2015.

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(b) Income and Expenditure Account for the year ended 31 August 2015.

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(c) Statement of Financial Position as at 31 August 2015.

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2 The following are summarised Statements of Financial Position for two companies as at 31 May 2014.

	Adams Plc $000	Brian Plc $000
Capital and Reserves		
Ordinary shares of $1 each	150	100
10% preference shares of $1 each	100	150
Retained profits	50	50
	300	300
Total assets less current liabilities	300	350
Non-current Liabilities		
10% Loan	-	(50)
	300	300

Additional information

1. The market prices per ordinary share at 31 May 2015 were:

Adams Plc	$9,50
Brian Plc	$10,38

2. The operating profit for the year ended 31 May 2015 was $150 000 for each company.
3. The rate of corporation tax is 30%.
4. Each company paid an ordinary dividend of $0,20 per share. Preference dividends for the year were also paid.
5. There were no changes in the capital structure of the two companies during the year.

(a) Calculate profit **after** tax for each company.

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(b) Calculate the following accounting ratios for each company:

(i) earnings per share,

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(ii) price earnings,

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(iii) gearing (taken as total borrowings to ordinary shareholders' funds),

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(iv) dividend yield,

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(c) Using calculations from **b(iii)** compare and comment on the gearing of the two firms.

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3 Happy Limited's Statement of the Financial Position as at 31 October 2015 is given below:

	$000	**$000**
Non-Current Assets at Net Book Value		3 940
Current Assets		
Inventory	2 132	
Trade receivables	720	
Bank	550	3 402
		7 342
Share Capital and Reserves		
Ordinary shares of $10 each		2 000
8% Preference shares of $5 each		800
Capital reserves		1 260
Revenue reserves		2 252
		6 312
Non-Current Liability		
10% debenture stock		600
Current liabilities		430
		7 342

The following transactions were not included in the draft Statement of Financial Position.

(1) September 1: A bonus issue was made on the basis of one ordinary share for every two already held, leaving the reserves in the most flexible form.

(2) October 1: In order to provide funds for the redemption of the preference shares, a rights issue was made on the basis of one ordinary share for every three held after (1) above at $13 per share.

(3) October 14: The preference shares were redeemed at a premium of $0,50 each. The shares were originally issued at par.

(4) October 31: Equipment of $80,000 was acquired on hire-purchase. The higher purchase agreement required 25% of the price to be paid immediately.

(a) Redraft the Statement of Financial Position as at 31 October 2015 after transaction 1 to 4 have been recorded.

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(b) Explain **two** advantages of a rights issue over a public issue of shares to a shareholder.

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(c) Distinguish between ordinary shares and debentures.

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4 Charity Limited is considering to undertake a capital project. The following information relates to two possible projects of which she has to select one to invest in. Both projects have an initial outlay of $600 000 each.

Projects	**A**	**B**
Expected Profits	$000	$000
Year 1	240	90
2	240	150
3	120	270
4	60	360

Additional Information

(i) Estimated scrap value at the end of year 4 is $120 000 for each project.

(ii) Depreciation is calculated using the straight line method.

(iii) The cost of capital is 16%. The discounting factors for the present value of $1 at 16% are as follows:

Year	1	0,862
	2	0,743
	3	0,641
	4	0,552

For both projects, calculate the following:

(a) Accounting Rate of Return using average investment.

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(b) Payback period.

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(c) Net Present Value.

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(d) Advise Charity Limited with reasons which project should be undertaken using calculations in **(c)** above.

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