

DZIRUTWE NYASHA

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

**MARKING SCHEME**

**JUNE 2011**

**ACCOUNTING**

**9197/2**

Updated Cash book																																			
1	(a)	(i)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Balance bld</td> <td style="width: 10%; text-align: right;">48 900 (1)</td> <td style="width: 15%;">Bank charge(iii)</td> <td style="width: 10%; text-align: right;">3 200 (1)</td> </tr> <tr> <td>Overdraft</td> <td style="text-align: right;">122 100 (1)</td> <td>Plant (iv)</td> <td style="text-align: right;">100 000 (1)</td> </tr> <tr> <td></td> <td></td> <td>Debtor/dishonoured cheque (v)</td> <td style="text-align: right;">9 800 (1)</td> </tr> <tr> <td></td> <td></td> <td>Motor repairs (vii)</td> <td style="text-align: right;">24 000 (1)</td> </tr> <tr> <td></td> <td></td> <td>Motor vehicles (vii)</td> <td style="text-align: right;">24 000 (1)</td> </tr> <tr> <td></td> <td></td> <td>Purchases (viii)</td> <td style="text-align: right;"><u>10 000 (1)</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>171 000</u></td> </tr> <tr> <td></td> <td></td> <td>Overdraft b/d</td> <td style="text-align: right;">122 100</td> </tr> </table>	Balance bld	48 900 (1)	Bank charge(iii)	3 200 (1)	Overdraft	122 100 (1)	Plant (iv)	100 000 (1)			Debtor/dishonoured cheque (v)	9 800 (1)			Motor repairs (vii)	24 000 (1)			Motor vehicles (vii)	24 000 (1)			Purchases (viii)	<u>10 000 (1)</u>				<u>171 000</u>			Overdraft b/d	122 100
Balance bld	48 900 (1)	Bank charge(iii)	3 200 (1)																																
Overdraft	122 100 (1)	Plant (iv)	100 000 (1)																																
		Debtor/dishonoured cheque (v)	9 800 (1)																																
		Motor repairs (vii)	24 000 (1)																																
		Motor vehicles (vii)	24 000 (1)																																
		Purchases (viii)	<u>10 000 (1)</u>																																
			<u>171 000</u>																																
		Overdraft b/d	122 100																																
			[8]																																

(ii) Bank Reconciliation Statement	
Overdraft as per cashbook	122 100 (1)
<u>add</u> uncleared deposits (ii)	<u>28 900 (1)</u>
	151 000
<u>less</u> unpresented cheques (i)	<u>10 000 (1)</u>
Overdraft as per bank statement	<u>141 000 (1)</u>
	[4]

(iii) Statement of corrected profit	
Original figure	812 080 (1)
<u>add</u> (home) repairs /drawings (ix)	<u>8 700 (1)</u>
	820 780
<u>less</u> Bank charges (iii)	3 200 (1)
Additional depreciation	
(129 000 – 29 000) x 10% (iv)	10 000 (1)
Bad debts (iv)	1 200 (1)
Motor repairs (vii)	24 000 (1)
Depreciation adjustment (vii)	6 000 (1)
Purchases (viii)	<u>10 000 (1)</u> 54 400
Corrected net profit	<u>766 380 (1)</u> OF
	[9]

- (b) (i) - casting / arithmetic(1)
- misposting (1)
  - compensating error (1)
  - single entry (1)
  - transposition(1)
- N.B: any other trial balance affecting errors  
[max 2]

- (ii) - original entry/ transposition error at entry of data (1)
- omitted entry(1)
  - commission errors (1)
  - principle (1)
  - complete reversal of entries (1)
- [max 2]

2 (a) Statement of accumulated fund as at 1 January 2007**Assets**

Bank	6 132 (1)	
Land (at cost)	14 000 (1)	
Debtors – lawn mower sales	2 800 (1)	
Stock of seeds (at cost)	<u>1 750 (1)</u>	24 682

**Less liabilities**

Membership subscriptions in advance	1 680 (1)	
Creditors – lawn mower suppliers	5 600	] (1) 8 050
- seed growers	<u>770</u>	
		<u>16 632</u>

[5]

(b) **Income and expenditure account for the year ended 31 December 2007**

Income	
Subscription (50 330 + 1 680(1) – 2 730(1))	49 280

**less Expenditure**

loss on seed sales (w1)	952(2)
loss on Gardening Show (25 200 + 3 430(1) – 2 800(1))	25 830(1)
Gardening magazine	2 730(1)
Secretarial expenses	6 580(1)
Rental of club premises	<u>3 500(1)</u>
Surplus to accumulated fund	<u>39 592</u>
	<u>9 688 (1)</u>

[10]

## Working (1)

**Loss on seed sales**

Sales		11 788
<b>Less Cost of sales</b>		
Opening stock	1 750	
add purchases	13 300	
less opening creditors	770	
add closing creditors	2 380	
less closing stock	<u>3 920</u>	<u>12 740</u>
		<u>(952)</u>

OR

## Creditors Control Account

Bank	13 300	Balance b/d	770
Balance c/d	<u>2 380</u>	Purchases	<u>14 910</u>
	<u>15 680</u>		<u>15 680</u>

Seed Sales Trading Account

Sales		11 788	
<u>Less Cost of Sales</u>			
Opening stock	1 750		
<u>add purchases</u>	<u>14 910</u>		
	16 660(1)		
<u>less Closing stock</u>	<u>3 920</u>	12 740	
Loss		<u>952 (1) OF</u>	

(c) Balance Sheet as at 31 December 2007

**Fixed assets**

Land at cost (14 000(1) + 7000(1)) 21 000

Current Assets

Stock – seeds	3 920(1)	
Debtors	<u>9 590(1)</u>	
		13 510

Current Liabilities

Creditors - lawn mower supplies	1 190(1)	
- seed growers	2 380(1)	
Subscriptions in advance	2 730(1)	
Bank overdraft	<u>1 890(1)</u>	8 190
		<u>5 320</u>
		<u>26 320</u>

**Represented by**

Accumulated fund on 1 January 2007	16 632(1)
<u>Add surplus</u>	<u>9 688(1) OF</u>
	<u>26 320</u>

[10]

- 3 (a) (i) - The bank and other long-term loan providers(1)  
 - Shareholders (1)  
 - Employees (1)  
 - Suppliers (1)  
 - Government and tax authorities (1)  
 - Customers (1)  
 - The public (1)  
 - Environmental agencies (1)  
 - Managers (1)

[max 5]

- (ii) The bank - they need to assess the quality of the assets upon which loans are secured. (1)
- The company's ability to pay outstanding loans and overdraft facilities. (1)
- Shareholders - interested in how well the director have fulfilled their role as stewards of the company.(1)
- look at quality of earnings. (1)
- is the company providing long-term growth and/ or profitability.(1)
- to decide if they should keep/ increase their investments/dispose of (1)
- Employees - seek to assess how secure their futures are
- whether the company can provide sustainable wage rises. (1)
- Suppliers - base the credit they supply to the company on the information provided in the financial statements. (1)
- Govt and tax authorities - use the financial statements as the basis for tax computations. (1)
- other government organisations may offer funding or grants and so seek assurances that the money is being used effectively. (1)
- assessment of economic growth and fiscal finance planning. (1)
- Customers - want to know that the company will be in existence when products need parts for servicing or replacing.(1)
- questions on being overcharged.(1)
- can they enter into long term contracts? (1)
- The public - local community seeks assurances that the local economy will remain stable. (1)
- continuing financial success an indication of stability. (1)
- job security of employees (1)
- Environmental agencies - assess how environmentally friendly a company is. (1)
- Managers - decision making and planning (1)

[Max 5]

(b) Schedule of Fixed Assets

	Premises	Office equipment	Delivery vehicle	
Cost	\$	\$	\$	
At the beginning of of the year	2 400 000(1)	280 000(1)	194 000(1)	
Additional in the year	-	30 000(1)	-	
Disposals	-	-	35 000(1)	
	<u>2 400 000</u>	<u>310 000</u>	<u>159 000</u>	
Depreciation at the				
At the beginning of the year	480 000	170 000	60 000	
Charge for the year	60 000(1)	31 000(1)	31 800 (1)	
On disposal	-	-	(14 000)(1)	
	<u>540 000(1)</u>	<u>201 000(1)</u>	<u>77 800(1)</u>	
Net book value at the end of year	<u>1 860 000(1)</u>	<u>109 000(1)</u>	<u>81 200(1)</u>	[15]

- 4 (a) - Prediction of future costs (2)  
 - Standard costs represent future target costs based on the elimination of avoidable inefficiencies. (2)  
 - Motivation of employees – if employees are involved in setting targets and they can achieve those targets – its motivational.(2)  
 - Budget preparation – quantify plans. (2)  
 - Evaluation of performance.(2)  
 - Control purposes – highlights activities which do not conform to plan.(2)  
 - Variance analysis – managers study + remedy those situation which they may be out of control. (2)  
 - Coordination – different departments coordinate to build a budget. (2)  
 - Profit measurement and stock valuation. (2)  
 [max 6]  
 2 marks for a point explained

(b) Standard hour – amount of work done in an hour under efficient conditions. [2]

(c) (i) Standard hours produced in June

	Standard hours produced	
X	150 x 10 hrs =	1 500 hrs (1)
Y	100 x 12 hrs =	1 200 hrs (1)
Z	90 x 14 hrs =	<u>1 260 hrs (1)</u>
		<u>3 960 hrs (1)</u> [4]

- (ii) Total direct labour variance  
 $3\,960 \text{ hrs} \times \$2/\text{hr} - \$9\,225$   
 $= \$7\,920(1) - \$9\,225(1)$   
 $\$1\,305$  Adverse (1) [3]
- (iii) Direct labour rate variance  
 $\$2 \times 4\,100 - \$9\,225$   
 $= \$8\,200(1) - \$9\,225(1)$   
 $= \underline{\$1\,025 (A)(1) OF}$  [3]
- (iv) Direct Labour efficiency variance  
 $3\,960 \text{ hrs} \times 42 - 4\,100 \text{ hrs} \times 2$   
 $= \$7\,920(1) - \$8\,200(1)$   
 $= \underline{\$280 (A)(1) OF}$  [3]
- (d) (i) Causes of labour rate variance  
 - a higher grade of labour could have been used as compared to plan. (1)  
 - the company could have awarded a wage increase. (1) [2]
- (ii) Causes of labour efficiency variance.  
 - sub standard quality of material could have been used. (1)  
 - carelessness. (1)  
 - lack of motivation on the part of staff. (1)  
 - poor layout of workstation. (1) [2]