



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

**ACCOUNTING**  
PAPER 3 Problem Solving

**6001/3**

**JUNE 2023 SESSION**

2 hours 30 minutes

Additional materials:  
Answer paper

**TIME** 2 hours 30 minutes

**INSTRUCTIONS TO CANDIDATES**

Write your name, Centre number and candidate number in the spaces provided on the answer paper/answer booklet.

Answer **all** questions.

Write your answers on the separate answer paper provided.

If you use more than one sheet of paper, fasten the sheets together.

**INFORMATION FOR CANDIDATES**

The number of marks is given in brackets [ ] at the end of each question or part question.

All accounting statements are to be presented in good style. Workings should be shown.

You may use a calculator.

The businesses in this question paper are fictitious.

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**This question paper consists of 8 printed pages.**

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**[Turn over**



## Answer all questions

- 1 The following information was extracted from the books of Wise Ltd at 1 July 2016.

Machinery at cost	\$200 000
Provision for depreciation	\$ 50 000

During the year-ended 30 June 2017 the following transactions took place:

**Purchases**

Date purchased	Machinery Reference	Cost \$
1 October 2016	Machinery 5	30 000
1 April 2017	Machinery 6	20 000
1 May 2017	Machinery 7	See note 1

**Disposals**

Date sold	Machinery Reference	Date of purchase	Cost \$	Proceeds on sale \$
30 September 2016	Machinery 2	1 January 2014	15 000	5 000
31 December 2016	Machinery 1	1 October 2012	40 000	2 500
31 March 2017	Machinery 3	1 July 2014	20 000	2 000

Depreciation is charged at 20% per annum on cost for each month of ownership.

**Note 1**

Machine 7 was bought from Wellingtons Company on credit for \$45 000.

Prepare for the financial year ended 30 June 2017:

- (a) (i) a machinery account, [5]
- (ii) a machinery provision for depreciation account, [9]
- (iii) a machinery disposal account. [5]
- (b) State two reasons why a business depreciates its non-current assets. [2]
- (c) Under which circumstances would a business use the straight line method to calculate depreciation. [2]



- (d) Wise Ltd is considering changing the depreciation method. Explain whether or not this is possible. [2]

2

The following information was provided by the Directors of Ace Ltd.

Statement of Financial Position as at 31 December 2016

<b>Non-current assets</b>	<b>Cost \$000</b>	<b>Accumulated Depreciation \$000</b>	<b>Net Book Value \$ 000</b>
Premises	1 100	150	950
Plant and machinery	800	90	710
Office equipment	<u>550</u>	<u>45</u>	<u>505</u>
	<u>2 450</u>	<u>285</u>	2 165
<b>Current assets</b>			
Inventory		450	
Trade receivables		200	
Cash and cash equivalents		<u>246</u>	
		896	
<b>Current liabilities</b>			
Trade payables	(196)		
Tax	<u>(150)</u>	<u>(346)</u>	<u>550</u>
			2 715
<b>Non-current liabilities</b>			
10% Debentures [2015 – 2020]			<u>(250)</u>
			<u>2 465</u>
<b>Equity</b>			
Ordinary shares of \$1 each			1 500
Share premium			300
General reserve			300
Retained earnings			<u>365</u>
			<u>2 465</u>



## Statement of Cash Flows for the year ended 31 December 2017

	\$000	\$000
<b>Cash flows from operating activities</b>		
Profit from operations		325
Adjustments for:		
Depreciation charge for the year:		
- plant and machinery		130
- office equipment		80
Profit on sale of plant and machinery		(5)
Increase in inventories		(50)
Increase in trade receivables		(10)
Decrease in trade payables		<u>(35)</u>
Cash generated from operations		435
Interest paid	(20)	
Tax paid	<u>(60)</u>	<u>(80)</u>
Net cash flows from operating activities		355
<b>Cash flows from investing activities</b>		
Purchase of plant and machinery	(180)	
Purchase of office equipment	(50)	
Proceeds from the sale of plant and machinery	<u>30</u>	
Net cash flows used in investing activities		(200)
<b>Cash flows from financing activities</b>		
Proceeds from the issue of 300 000 Ordinary shares of \$1 each	450	
Repayment of debentures	(45)	
Dividends paid	<u>(40)</u>	
Net cash flows from financial activities		<u>365</u>
Net increase in cash and cash equivalents		520
Cash and cash equivalents at the beginning of the year		<u>246</u>
Cash and cash equivalents at the end of the year		<u>766</u>

**Additional information****Note 1**

The Directors revalued the premises to \$1 500 000 on 31 December 2017.

**Note 2**

The plant and machinery sold during the year had an original cost of \$55 000.



**Note 3**

The Directors transferred \$50 000 to the general reserve at 31 December 2017.

**Note 4**

The following is an Income Statement (extract) for the year ended 31 December 2017.

	<b>\$000</b>
Profit from operations	325
Debenture interest	(20)
Profit before tax	305
Tax	<u>(200)</u>
Profit for the year	<u>105</u>

- (a) Prepare a Statement of Financial Position as at 31 December 2017. [18]
- (b) Give **three** differences between a Statement of Cash flows and an Income Statement. [6]
- (c) Explain **one** reason why a Statement of Cash Flows may be helpful to users of accounting information. [1]



- 3 Misheck Ltd Company has the following information relating to its notes to the accounts for the year ended 31 December 2015:

<b>Non current assets</b>	<b>\$000</b>
<b>Balances at 1 January 2015:</b>	
Fixtures and fittings at cost	800
Motor vehicles at cost	500
Buildings at cost	600
<b>Provision for depreciation at 1 January 2015:</b>	
Fixtures and fittings	190
Motor vehicles	50
Buildings	260

During the year ended 31 December 2015, the following transactions took place:

1. A motor vehicle costing \$150 000 was purchased on 1 July 2015.
2. Fixtures and fittings which had a cost of \$300 000 were sold for \$230 000 on 31 August 2015.

The accumulated depreciation on the fixtures and fittings was \$40 000.

3. Buildings were revalued to \$720 000 on 30 June 2015.

Depreciation is provided at the following rates:

Fixtures and fittings, 10% per annum on cost

Motor vehicles, 20% per annum reducing balance method.

Buildings, 5% per annum on cost/revalued amount

Depreciation is charged for each month of ownership.

- (a) Prepare a schedule of non-current assets at 31 December 2015. [17]
- (b) State any **five** items that should be included in the directors' report. [4]
- (c) List **four** items covered by the external auditors' report. [4]

4

Maroon Ltd is a manufacturing firm. It has two production departments, Machining and Finishing as well as two service departments, Maintenance and Canteen.

For the coming year, the budgeted costs are as follows:

Overhead	Total \$	Machining \$	Finishing \$	Maintenance \$	Canteen \$
Indirect materials	16 500	8 000	6 000	2 100	400
Indirect labour	3 850	2 200	900	550	200
Supervision salaries	10 000				
Rent and rates	28 000				
Consumable stores	9 000				
Electricity	16 000				
Depreciation	?				

**Additional information**

	Machining	Finishing	Maintenance	Canteen
Number of employees	30	40	15	15
Floor area (m <sup>2</sup> )	45 m <sup>2</sup>	80 m <sup>2</sup>	10 m <sup>2</sup>	5 m <sup>2</sup>
Number of stores requisitions	15	20	10	-
Electricity – kilowatt hours	150	200	50	100
Plant and machinery at cost	\$60 000	\$40 000	\$10 000	\$10 000
Direct labour hours	400	1 000		
Machine hours	3 000	150		
Maintenance hours	60	40		

Depreciation on plant and machinery is charged at 20% per annum on cost.

Canteen department offers services to all the other three departments while the Maintenance department only offers services to the production departments.

**Workings may be rounded off to two decimal places.**

- (a) Prepare an overhead analysis sheet, showing the basis of apportionment. [9]
- (b) Calculate the Overhead Absorption Rate for each production department using appropriate bases. [6]



- (c) The following are details for job ABC.

	Machining	Finishing
Direct materials	\$1 300	\$700
Direct labour hours	20	25
Machine hours	40	15
Direct labour rate per hour	\$8	\$6
Profit margin is 20%		

Calculate the selling price of job ABC. [7]

- (d) (i) Explain two causes of under absorption of overheads. [2]
- (ii) State how under absorption of final accounts. [1]

