

Musendo Power

ZIMBABWE SCHOOL EXAMINATIONS COUNCIL
General Certificate of Education Advanced Level

0774 - 453126

MARKING SCHEME

NOVEMBER 2016

1 (a) Receipts and Payments A/C

| | | | |
|---------------|---------------|-------------|-------------------|
| | \$ | | \$ |
| Balance b/d | 79 978 | Stationery | 245 (1) |
| Subscriptions | <u>60 (1)</u> | Balance c/d | <u>79 798</u> |
| | <u>80 038</u> | | <u>80 038</u> [2] |

(b) (i) Subscriptions A/C

| | | | |
|-------------------------|--------------|-------------------|---------------------|
| 2013 | \$ | 2013 | \$ |
| Jan 1 Balance (b/d) | 270 (1) | Jan 1 Balance b/d | 400 (1) |
| Dec 31 Income & Expend. | 930 (1) of | Dec 31 Bank | 860 (1) / 500 - ... |
| Balance c/d | <u>200</u> | Balance c/d | <u>140</u> |
| | <u>1 400</u> | | <u>1 400</u> |
| 2014 | | 2014 | |
| Jan 1 Balance b/d | 140 (1) | Jan 1 Balance b/d | 200 (1) [6] |

(ii) Bar trading A/C for year ended 31 December 2013

| | | | |
|----------------------------|--------|-------------------|-------------------|
| | | | \$ |
| Sale of refreshments | | | 128 200 |
| <u>Less</u> Cost of sales | | | |
| Initial stock | | 40 000 | |
| <u>Add</u> Cash purchases | 68 000 | | |
| Credit purchases | 7 800 | | |
| (10 000 - 9 500 + 7 300) | | <u>75 800 (2)</u> | |
| | | 115 800 | |
| <u>Less</u> Final stock | | <u>18 000</u> | 97 800 |
| Gross profit | | | 30 400 (1) OF |
| <u>Less</u> Barman's wages | | | <u>2 400 (1)</u> |
| Bar profit | | | <u>28 000</u> [4] |

(iii) Income and expenditure A/C for the year ended 31 December 2013

| | | |
|-----------------------------------------------|--|---------------------------|
| | | \$ |
| Gross profit from trading | | 28 000 (1) OF |
| Subscriptions (860 - 270 + 400 + 140 - 200) | | 930 (1) OF |
| Profit on sale of dance tickets (1 200 - 740) | | <u>460 (1)</u> |
| | | 29 390 |
| <u>Less</u> Stationery | | 245 (1) |
| General expenses (167 + 134 (1) + 70 (1)) | | 371 (2) |
| Loan interest | | 450 (2) |
| Depreciation (2 000 + 375) | | 2 375 (2) |
| Loss on disposal (3 850 - 4 125) | | <u>275 (2) - 65</u> |
| Surplus | | <u>25 674 (1) OF</u> [13] |

Debit
 Equip 5000 / Prov. for depn 500
 Bank 3350
 14E 650
5000

Credit
 Equip 5000 / Prov. for depn 500
 R-P 3350
 14E 650

GUIDE TO THE MARKING SCHEME

1. Mark in RED ballpoint.
2. Tick every sheet, as evidence that you have checked it. There is however no need to tick a sheet which on which you have put a mark.
3. Do not deduct marks for errors - this is a positive marking scheme.
4. All marks are to be expressed as figures. There are no half marks.
5. Sub-totals within a question are to be shown thus, ~~8~~ at the end of the section to which they refer.
6. Total marks for a question are to be shown thus, (17) at the end of the question.
7. Total and sub-total marks are to be shown at the right-hand side of the paper.
8. Total marks for each question are to be transferred to the box on the front of the question paper.
9. Marks must only be awarded according to the mark scheme - if a figure does not have a mark allocated to it in the mark scheme, then it must not be awarded a mark.
10. Own figure (OF) rule applies. That is, where an error is made, any later answers which are wrong purely in consequence of that error will be marked correct, for full marks.

STANDARDISATION

At the meeting

The mark scheme will be discussed and amendments agreed. A record must be kept of any changes. Photostat scripts will be marked in line with the final scheme. The marking will be standardised in groups with team leaders.

After the meeting

10 sample scripts including further Photostats should be sent to your team leader as soon as possible. Your team leader will contact you to discuss your marking and give clearance to continue marking. Full details of subsequent procedures are given in 'Instructions to Examiners'.

Notify your team leader of any problems immediately.

General explanations:
 charged for the ... represents the portion of the cost of the asset
 for the year ... should have been paid ...
 ... have been adjusted to show the amount that

(c) General expense item reflects level of cost incurred since the due amount and cash paid has been included. (1) General exp. provided 134 is this yr's exp. (1)
 General exp. accrued to is this yr's exp. (1)
 Subscriptions received have been adjusted to include amount the home is entitled to. (1)
 (1 mark per valid point: maximum 2) [2]

(a) (i) Gross profit percentage [Total 27] 27

$$= \frac{GP}{Sales} = \frac{494}{1420} = 34,79\% \text{ (1)} \quad \frac{234}{1050} = 22,29\% \text{ (1)} \quad [2]$$

(ii) Net Profit percentage

$$= \frac{NP}{Sales} = \frac{460}{1420} = 32,39\% \text{ (1)} \quad \frac{190}{1050} = 18,1\% \text{ (1)} \quad [2]$$

(iii) ROCE

$$= \frac{\text{Profit before interest}}{\text{Assets} - \text{current liabilities}} = \frac{471}{867 - 24} = 55,379\% \text{ (1)} \quad \frac{199}{850 - 28} = 23,11\% \text{ (1)} \quad [2]$$

33,172% (1) $\frac{199}{1050} \times 100 = 18,95\% \text{ (1)}$

(iv) Rate of inventory turnover

$$= \frac{\text{cost of sales}}{\text{Average stock}} = \frac{926}{\frac{15+16}{2}} = 59,74 \text{ times (1)} \quad \frac{816}{\frac{16+14}{2}} = 54,4 \text{ times (1)} \quad [2]$$

$\frac{460}{843} \times 100 = 54,579\% \text{ (1)}$ $\frac{822}{322} = 23,11\%$

(v) Trade receivables collection period

$$= \frac{\text{trade receivables}}{\text{credit sales}} \times 365 = \frac{21}{1420} \times 365 = 6 \text{ days (1)} \quad \frac{22}{1050} \times 365 = 8 \text{ days (1)} \quad [2]$$

*5,46 days \rightarrow 7 days
 6,71 days \rightarrow 7 days
 7,25 days*

(vi) Acid-test (quick) ratio

$$= \frac{\text{current assets} - \text{inventory}}{\text{current liabilities}} = \frac{62 - 15}{24} \quad \frac{56 - 16}{28}$$

$$= 1.96: 1 (1) \quad 1.43: 1 (1) \quad [2]$$

Do not accept reversed ratios

(b) Blue Limited is more profitable than Zebra Limited as shown by Gross (1) Profit percentage, Net profit percentage (1), ROCE (1), and Rate of inventory (1) turnover.

General comment on profitability is awarded a mark

- Literal meaning of a ratio (1)
- Suggestions/Recommendations (1)
- Explanations (reasons) (1)
- Comparisons of each ratio (1)

(Maximum 10 marks) [10]

(c) *Reason / increase*
Weaknesses *Do not accept*

- *figures lower than are acceptable for profitability*
- Ignores qualitative factors e.g. management and employee skills (1).
- Assumes the directorate does not influence performance. Focus is on figures only (1).
- Some balances are subjective due to management practice in policy selectional adoption e.g. choice of depreciation method affects performance results (1).
- Inflation is ignored though it is a known phenomenon in business activity (1).
- Asset values may be distorted.
- Comparisons of entities is done ignoring the business environment. (i.e. regulation and economic trends) [3]
- Does not consider the differences in capital structure of the firms being compared - level of capitalisation

[Total: 25]

- Does not give solutions but just point to problems

- Might be difficult to compare in different industries

3

- (a) The principal budget factor is the factor/element that sets a limit to organisation's plans on budget e.g. direct material, direct labour hours, machine hours, storage space on production capacity. [1]

(b)

Cash budget

| | April | May | June |
|----------------------------------------------------------------------------------------------------------|------------------|----------------------------|----------------------------|
| Balance | \$ 28 600 (1) | \$ 76 800 (1) OF | \$ 132 700 (1) OF |
| Trade receivables (84 000 + 35 000) (28 000 + 90 000 + 34 300) (27 440 + 30 000 + 78 000) | 119 000 (2) | 152 300 (3) 118 000 (2) | 135 440 (3) 105 000 (2) |
| Less Payments | 147 600 | 229 100 | 268 140 |
| Operating costs | (6 000) (1) | (6 000) (1) | (6 000) (1) |
| Trade payables (44 800 + 20 000) (22 400 + 24 000 + 41 600 + 20 000) (22 400 + 48 000 + 20 000) | (64 800) (2) MFC | (90 400) (2) MFC | (108 000) (2) MFC |
| Equipment | | | (1 500) (1) |
| Closing balance | 76 800 (1) OF | 132 700 (1) OF | 152 640 [20] |

Workings

| Trade receivables | \$ | \$ | \$ | \$ |
|-------------------|---------|---------|---------|---------|
| April - Sales | 140 000 | 84 000 | 28 000 | 27 440 |
| May - Sales | 150 000 | — | 90 000 | 30 000 |
| June - | 130 000 | — | — | 78 000 |
| Opening bal | 70 000 | 35 000 | 34 300 | |
| Total receipts | | 119 000 | 152 300 | 135 440 |

Trade Payables

| | | | \$ |
|-------|---------|----------|---------|
| April | 140 000 | (28 000) | 112 000 |
| May | 150 000 | (30 000) | 120 000 |
| June | 130 000 | (26 000) | 104 000 |

Payment schedule

| | April | May | June |
|--------------------------|--------|--------|---------|
| April - 112 000 | 44 800 | 22 400 | 22 400 |
| May - 120 000 | — | 48 000 | 24 000 |
| June - 104 000 | — | — | 41 600 |
| Opening balance - 60 000 | 20 000 | 20 000 | 20 000 |
| Trade payable | 64 800 | 90 400 | 108 000 |
| Equipment | — | — | 1 500 |

Provided there are no alterations correct calculation. Atense! Apr & b debts

(c) Benefits of budgeting

- facilitates planning / *resource allocation (1)*
 - provides direction and communication (1)
 - motivates workforce/personnel towards goals (1)
 - enables control to be exercised (1)
 - evaluation/performance management (1)
 - co-ordination (1) *(MAN 4)*
- [4]
[Total: 25]

4

(a)

- to eliminate dissentient (difficult) shareholders *(2)*
 - when there is surplus of capital and the surplus cannot be put to profitable use *(1)*
 - capital may be needed in the medium term for a project, but the project may be expected to generate sufficient funds in due course to enable the capital to be repaid
 - a potential investor who may be wary of putting money into shares which can not be sold easily may be encouraged to invest if the shares are redeemable by the company. *(1)*
 - if a shareholder dies in a family company, his personal representatives may require money as a matter of some urgency to pay taxes. *(1)*
- (2 marks per explanation) [6]

Workings leading to statement of financial position.

| | | | |
|--------------|---------------------------------------------|--------|----------------------|
| February 28: | Dr General reserve | 24 000 | |
| | Cr Ordinary share capital | 24 000 | |
| April 13: | Dr Red. Preference shares | 16 000 | 17 000 |
| | Dr Retained earnings | 1 600 | |
| | Cr Bank | 17 600 | |
| | Dr Bank | 16 000 | <i>Bank 16000</i> |
| | Cr Ordinary share capital | 12 800 | <i>the remainder</i> |
| | Cr Share premium | 3 200 | <i>14280 100</i> |
| June 24: | Dr Bank | 23 520 | <i>23 212 100</i> |
| | Cr Ordinary share capital | 19 600 | <i>19760 100</i> |
| | Cr Share premium | 3 920 | <i>3152 100</i> |
| Rights Issue | $\frac{1}{8}(120\ 000 + 24\ 000 + 12\ 800)$ | | |
| = | 19 600 - \$1 at \$1.20 | | |
| June 31 | Dr Bank | 25 000 | |
| | Cr Debentures | 25 000 | |

(b) Statement of financial position as at 31 July 2013.

| | |
|--------------------------------------------------------------------------------------------|-----------------------|
| Ordinary share capital (120 000 + 24 000 (1) + 12.800 (2) + 19 600 (2) or 176 400 (3) (4)) | 176 400 (3) (4) |
| 4% \$1 Redeemable preference share capital (80 000 - 16 000) | 64 000 1MBC |
| Share premium (12 000 + 3 200 (2) + 3 920 (1)) | 19 120 (3) 19 472 (4) |
| General reserve (40 000 - 24 000) | 16 000 (1) MB |
| Retained earnings (18 000 - 1 600 (1)) | 16 400 (1) MB |
| | <u>291 920</u> |
| 8% Debentures | 25 000 (1) |
| 6% Convertible loan stock | 14 000 (1) |
| Trade payable | <u>8 500</u> |
| | <u>339 420</u> |

| | |
|---------------------------------------------------------------------|---------------------------|
| Non-Current assets | 231 500 |
| Inventories | 45 000 |
| Trade receivables | 10 000 |
| Cash (6 000 - 17 600 (1) + 16 000 (1) + 23 520 (2) + 25 000 (1)) or | 52 920 (5) (6) |
| | <u>339 420</u> 54 712 (4) |

[17]
[Total: 23]

14-030 (1) DF
 (1) DF depending on the calculation of right issue
 (2) depending on the calculation of right issue
 (3) calculation of right issue
 (4) 182000
 (5) depending on the calculation of right issue
 (6) 19 472 (4)
 (1) MB
 (1) MB
 depending on or
 the candidates have raised the funds.

calculation on the issue of right issue

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