

Centre Number				Candidate Number			

Candidate Name: \_\_\_\_\_

**EXAMINATIONS COUNCIL OF ZAMBIA**  
**Joint Examination for the School Certificate**  
**and General Certificate of Education Ordinary Level**

# **PRINCIPLES OF ACCOUNTS**

**PAPER 2****7110/2****Monday****20 OCTOBER 2014****1 hour 45 minutes**

Additional materials  
 Answer Booklet

**TIME 1 hour 45 minutes**

## **INSTRUCTIONS TO CANDIDATES**

There are **four (4)** questions in this question paper.

Answer **all** questions.

Write your name, centre number and candidate number in the spaces provided at the top of this page and on the Answer Booklet.

### **Questions one (1), two (2) and three (3)**

Write your answers in the spaces provided on the question paper.

### **Question four (4)**

Write your answers on the Answer Booklet provided. At the end of the examination fasten the Answer Booklet securely to the question paper.

## **INFORMATION FOR CANDIDATES**

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

Non programmable calculators may be used.

Where layouts are to be completed, you may not need all the lines for your answer.

**Cell phones are not allowed in the examination room.**

**1 (a) Write the answers in the spaces provided to complete the following sentences:**

- (i) A credit balance in the bank account in the Cash Book shows \_\_\_\_\_
- (ii) The formula to find owner's capital is \_\_\_\_\_  
\_\_\_\_\_
- (iii) \_\_\_\_\_ is the maximum amount of capital that a company is allowed to raise.
- (iv) Rent prepaid appears in the Balance Sheet under \_\_\_\_\_
- (v) The purchase of a fixed asset to be used in the business should first be recorded in the \_\_\_\_\_
- (vi) Subsidiary books are also called \_\_\_\_\_ or \_\_\_\_\_
- (vii) The purchase of fuel for use in the business is \_\_\_\_\_ expenditure.
- (viii) The depreciation method where the depreciation is calculated on the book value is called \_\_\_\_\_
- (ix) \_\_\_\_\_ is another name for the capital of the owner.

[10]

**(b) State the subsidiary book prepared using each of the following documents:**

- (i) Duplicate invoice
- (ii) Original invoice
- (iii) Original credit note
- (iv) Duplicate credit note

[4]

**(c) Fill in the missing amounts in the following table.**

Assets	Liabilities	Capital
K	K	K
128 600	84 000	(i)
(ii)	56 400	28 400
250 400	(iii)	114 800
(iv)	111 500	88 500
216 500	104 300	(v)
314 100	(vi)	146 300

**[Total 20 marks]**

- 2 (a) Lusungu is a customer of M. Khumbo. From the following information, prepare M. Khumbo's Account in Lusungu's ledger for the month of December, 2012, paying particular attention to dates and details.

2012

December 1	Balance due to M. Khumbo K710
December 6	Lusungu bought goods from M. Khumbo valued @ K900 – less 20% trade discount
December 14	Lusungu returned some of the goods from M. Khumbo bought on 6 <sup>th</sup> December with a list price of K300
December 20	Lusungu paid M. Khumbo the amount due on 1 December by cheque less 2% cash discount.

[9]

- (b) Bwalya commenced trading on 1<sup>st</sup> October, 2012 and took over premises from that date at annual rental of K3 600 payable at the end of each quarter. On 1<sup>st</sup> May, 2013 he sublet part of the premises at an annual rent of K900. Bwalya's financial year ended on 30<sup>th</sup> September, 2013 and by that date he had made the following payments by cheque in respect of rent:

	K
2 <sup>nd</sup> January 2013	900
28 <sup>th</sup> March 2013	900
30 <sup>th</sup> June 2013	900

The following amounts had also been received by cheque from sub-tenant:

	K
1 <sup>st</sup> May 2013	150
1 <sup>st</sup> August 2013	150

Required:

Prepare separate accounts for:

- (i) Rent payable
- (ii) Rent receivable

Balance them on 30<sup>th</sup> September, 2013 showing the appropriate transfers to the Profit and Loss Account, using correct dates and details.

[13]

[Total 22 marks]

- 3 (a) State **any two** types of errors that will **not** be revealed in the Trial Balance and **any one** that will make the Trial Balance disagree. [3]
- (b) There are certain mistakes that have been made in drawing up the following Balance Sheet of Food Paradise Restaurant.

Balance Sheet for the year ended 31/12/11

	K	K		K
Capital	6 000		Freehold premises	3 000 ✓
Add loan	1 000	7 000	Stock 31/12/11	2 845 ✓
Net Profit		1 368	Plant and Machinery	2 560 ✓
Sundry Debtors		1 412	Cash in hand	78 ✓
Stock 01/01/11		1 634	Drawings	702
			Bank overdraft	349 ✓
			Sundry creditors	1 880 ✓
		11 414		11 414

**Required:**

Prepare the Balance Sheet as it should be after the corrections.

[11]

- (c) The records of Yohane Mufuma disclose the following details:

Year	Sales	Cost of goods sold	Net Profit
	K	K	K
2009	250 000	150 000	50 000
2010	200 000	140 000	40 000
2011	400 000	250 000	80 000

**Required:**

**Calculate** the percentages of Gross Profit, Overhead Expenses and Net Profit for each year based on Turnover.

Year	Gross Profit %	Overhead Expenses %	Net Profit %
2009			
2010			
2011			

[9]

**[Total 23 marks]**

- 4 Lusaka Youth Recreation Club had the following Ledger balances on 1<sup>st</sup> January, 2012:

	K
Games Equipment	15 000
Furniture and Fittings	10 000
Subscriptions in Arrears	350
Insurance prepaid	270
Cash at Bank	8 900
Subscriptions in advance	480
General Expenses owing	140

For the year ended 31<sup>st</sup> December, 2012 the Treasurer of the Club produced the following summary of Receipts and Payments:

	K		K
<b><u>Receipts</u></b>		<b><u>Payments</u></b>	
Subscriptions	5 600	Water & Electricity	3 750
Donations	5 000	Dance Expenses	1 350
Sponsored walk	8 000	Insurance	505
Proceeds from walk	12 400	New Games Equipment	9 480
		General Expenses	15 025

**Additional information:**

- (i) Subscriptions of K5 600 include K240 for the following financial year. Subscriptions owing for the current year are K620.
- (ii) General expenses outstanding on 31<sup>st</sup> December, 2012 amount to K575.
- (iii) Fixed Assets are to be depreciated as follows:  
Furniture and Fittings K800  
Games Equipment at the rate of 10% per annum on the closing balance.

**You are required to:**

- (a) **Calculate** the Accumulated Fund showing your workings clearly, as at 1 January, 2012 and the Subscriptions Account, showing clearly the transfer to the Income and Expenditure Account at 31<sup>st</sup> December, 2012. [13½]
- (b) **Prepare** the Income and Expenditure Account for the year ended 31<sup>st</sup> December, 2012. [9½]
- (c) **Draw up** a Balance Sheet as at 31<sup>st</sup> December, 2012. [12]

**[Total 35 marks]**