

Candidate Name _____

Centre Number			Candidate Number			

EXAMINATIONS COUNCIL OF ZAMBIA

Examination for School Certificate Ordinary Level

Principles of Accounts

7110/2

Paper 2

Monday

13 NOVEMBER 2017

Additional materials:

Answer Booklet

Time 2 hours

Instructions to Candidates

- 1 Write your name, centre number and candidate number in the spaces provided at the top of this page and on the Answer Booklet.
- 2 There are **two (2)** sections in this paper; Section **A** and **B**.
- 3 Answer **ALL** questions in Section **A** in the spaces provided.
- 4 Answer only **one** question in Section **B** (either **4A** or **4B**) on the separate Answer Booklet provided.
- 5 Both questions in Section **B** carry equal marks.
- 6 Read carefully the instructions for each question or part of question before you answer it.

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.

You are given five (5) minutes to read through the paper.

Cell phones are not allowed in the examination room.

MARKS GRID

	Question	Marks
Section A		
Section B		
TOTA		

Section A

Answer ALL questions in the Section.

- 1 (a) For each of the transactions below, name the book of Prime Entry where each should first be recorded.

(i) M. Zambana paid Toyota (Z) Ltd a cheque of K45 000 for the delivery Van purchased.

(ii) W. Mkandawire returned damaged goods K4 500 to the supplier.

(iii) Sold goods on credit to H Hamaula K5 000

(i)

(ii)

(iii)

[3]

- (b) The following Sales and Purchases were extracted from the books of D. Choongo during the month of May 2016.

You are required to prepare his Purchases Journal **only** for the month of May 2016 from the transactions below:

May 1 Bought goods on credit from A. Banda:

5 Kgs of sugar at K20 per kg

3 Kgs of salt at K5 per kg

May 5 Sold goods to L. Hatwaambo:

5 Kgs of rice at K30

10 bags of potatoes @ K20 each

May 10 Bought 1kg of sugar from K Mwaandu at K20 on credit

May 16 Bought goods on credit from P. Mwale:

2 Kgs of rice at K7 per kg

1 bag of potatoes @ K25

May 31 Sold goods on credit to B N'gandu

20kgs of caster sugar at a total of K100

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[8]

- (c) The following balances were extracted from the books of H Shakapenda as at 31 December 2015, the end of the financial year. From the balances below **prepare** a Trial Balance, with correct heading.

	K
Capital	10 810
Purchases	47 400
Stock 1/1/2015	4 600
Debtors	6 200
Creditors	3 900
Motor Van	3 300
General expenses	1 900
Rent and rates	1 800
Provision for bad debts 1/1/2015	670
Bad debts	7 730
Drawings	6 300
Bank balance	950
Sales	64 800
Stock 31/12/2015	5 200

[7]

[Turn over]

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(d) State the type of expenditure, capital or revenue, incurred in the following transactions:

- (i) Cost of building an extension to a factory.
- (ii) Purchase of extra filing cabinets for Sales Office.
- (iii) Cost of repairs to Accounting Machines.
- (iv) Cost of installing reconditioned engine to a delivery van.

- (i)
- (ii)
- (iii)
- (iv)

[4]

[Total: 22 marks]

2 (a) Define the following terms used in connection with the Ledger Accounts, giving an example in each case.

- (i) Real Accounts [2]
- (ii) Personal Accounts [2]
- (iii) Nominal Accounts [2]

- (i)
.....
- (ii)
.....
.....
- (iii)
.....
.....

- (b)** On 1 January 2008, there was a balance of K500 in an Allowance for Doubtful Debts Account, and it was decided to maintain the provision at 5% of the debtors at each year end.

The debtors on 31 December each year were:

	K
2008	12 000
2009	8 000
2010	9 000

Show the necessary entries for the three years ended 31 December 2008 to 31 December 2010 inclusive of the Allowance for Doubtful Debts Account. [8]

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- (c)** Mulenga maintained his Motor Vehicles Account at cost price and a Provision for Depreciation of Motor Vehicle Account.

At 1 Jan 2014, the Motor Vehicles Account had cost value of K120 000 while the Provision for Depreciation of Motor Vehicles Account had a balance of K24 000.

His policy was to depreciate the motor vehicle at 20% of cost per annum, charge full year's depreciation in the year of purchase and charge no depreciation in the year of disposal.

On 31 March 2015, Mulenga acquired another vehicle from Tata Motors Ltd at K40 000. On 30 September 2016, Mulenga sold one old vehicle which had cost him K35 000 in 2014, at K19 000, to Zionele Traders on credit.

Required:

Open the Provision for Depreciation of Motor Vehicles Account for three years – 2014 to 2016.

[8]

[Total: 22 marks]

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- 3 (a) Dr Gesh's books show the following details for the month of June 2015.

2015		K	
June 1	Sales Ledger Control Account balance b/f	30 000	Dr
June 30	Sales for the month	48 000	
	Returns inwards	3 000	
	Receipts from debtors (banked)	46 500	
	Customers' cheque returned unpaid by bank	1 500	
	Bad Debts written off	900	
	Discount Allowed	1 600	
	Transfer of debit balance from Sales Ledger to Purchases Ledger during the month	1 000	
	Credit balance in Sales Ledger 30 June 2015	1 400	

You are required to prepare the Sales Ledger Control Account in the appropriate Ledger for the month of June 2015.

[8]

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- (b)** Briefly explain the purpose of Control Accounts.

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.....

[4]

- (c)** During the year 2015, Lubengula held an average stock at cost price of K11 280. His selling prices were obtained by adding 25% to the cost prices. His turnover for 2015 was K169 200.

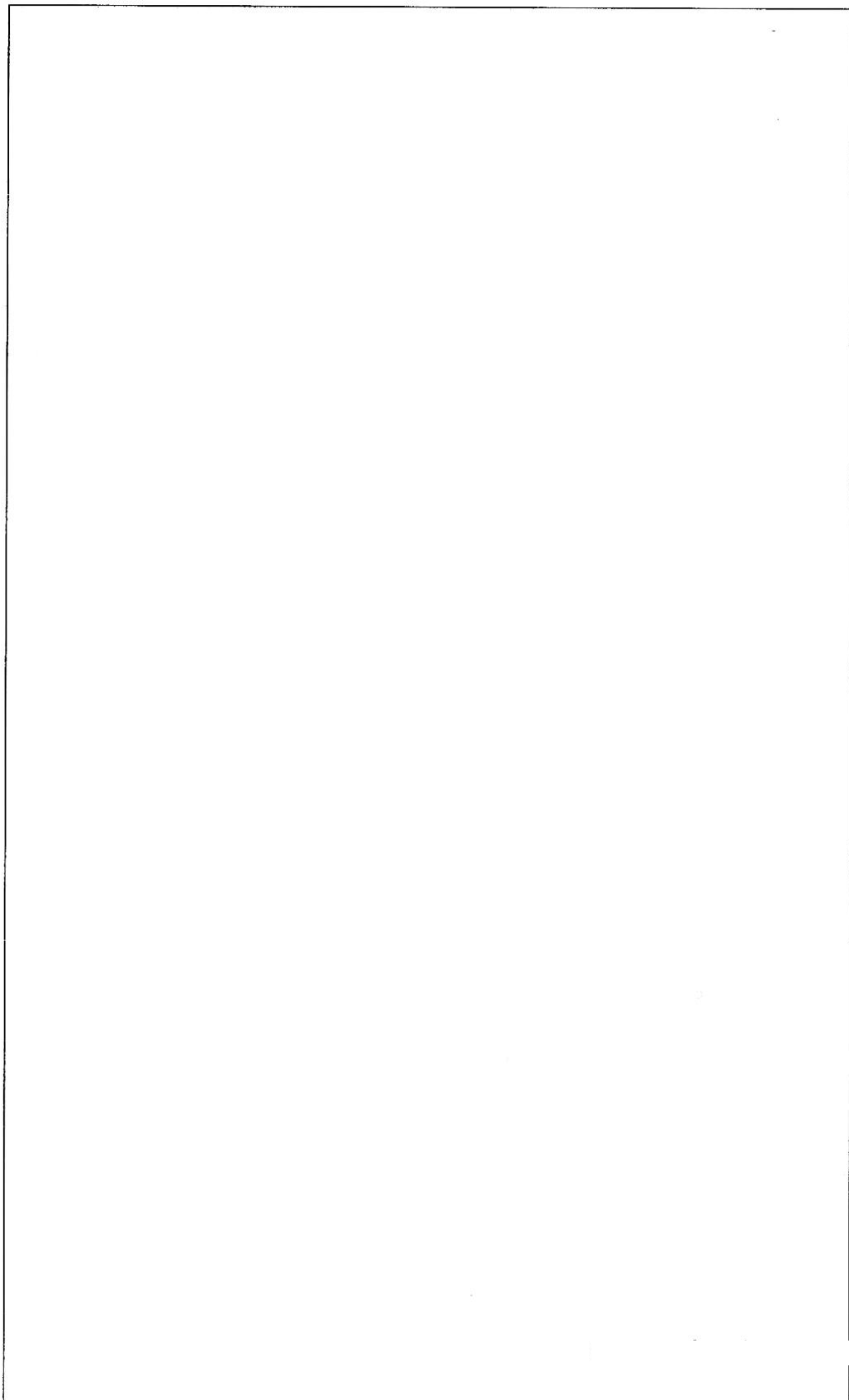
His selling and administrative expenses were 12% of turnover.

Calculate:

- (i)** Lubengula's Gross Profit for 2015. [5]
- (ii)** The rate of turnover of stock for 2015. [3]
- (iii)** The Net profit for 2015. [2]

[Total: 22 marks]

3 (c) (Working Space)

A large, empty rectangular box with a thin black border, occupying the central portion of the page. It is intended for the student to show their working space for the problem.

Section B

Answer only **one** question from this section on the Answer Booklet provided.

Answer either **4(a)** or **4(b)** not both.

Either

- 4 (a)** Lukundo and Isaac are in partnership sharing profits and losses in the ratio 3:2 respectively.

The following balances were extracted from the partnership books on 31 December 2015:

		K
Fixed Capital Accounts:	Lukundo	36 000
	Isaac	54 000
Current Accounts:	Lukundo	900 (Dr)
	Isaac	2 100 (Cr)
Drawings:	Lukundo	18 000
	Isaac	7 500
Purchases		108 000
Sales		195 000
Returns inwards		4 200
Returns outwards		5 400
Salaries and wages		16 800
Rent and Insurance		9 000
Advertising expenses		6 900
Petty cash		2 000
Cash at Bank		10 000
Debtors		31 200
Creditors		13 200
Provisions for Bad Debts 1/1/2015		900
Stock – 1/1/2015		32 100
Motor vehicles at cost		84 000
Provision for Depreciation on Motor Vehicles		24 000

Additional information:

- 1 Stock at 31 December 2015 was valued at K33 900
- 2 Rent K1800 had been paid for the year to 30 June 2016.
- 3 Advertising due amounted to K600.
- 4 The provision for bad debts to be reduced to K600.
- 5 Lukundo withdrew goods valued at K1 800 at selling price. No entry had been made in the books of accounts.
- 6 Motor Vehicles should be depreciated at the rate of 20% per annum using the straight line method.
- 7 The Partnership Agreement provided that:
 - (i) Interest was to be allowed on partners' capitals at the rate of 5% per annum.
 - (ii) Lukundo was to receive a salary of K15 000.
 - (iii) The remaining profit or loss was to be shared by partners in their agreed ratio.

Required:

- (a) Prepare the Partnership Trading and Profit and Loss account and the appropriation account for the year ended 31 December 2015 [15½]
 - (b) Draw up Current Accounts of the partners. [7]
 - (c) Prepare the Partnership Balance Sheet as at 31 December 2015. [11½]
- [Total: 34 marks]**

OR

- 4 (b)** At the beginning of the year, 1 January 2016, Matero Social Club had the following Assets and Liabilities:

	K
Equipment at cost	1 000 000
Furniture at cost	1 500 000
Cash at hand	200 000
Cash at Bank	450 000
Stock refreshments	250 000
Subscriptions in Advance	50 000
Subscriptions in Arrears	60 000
Credit suppliers of refreshments	120 000
Sundry expenses owing	50 000

At 31 December, the end of the year, the club Treasurer presented the Receipts and Payments Account as follows:

**RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED
31 DECEMBER 2016**

RECEIPTS	K	PAYMENTS	K
Opening balances:			
Cash at hand	200 000	New equipment	400 000
Bank	450 000	Rent and Rates	500 000
Subscriptions	1 200 000	Stationery postage	200 000
Sale of Raffle tickets	580 000	Wages – office assistant	450 000
Sale of refreshments	900 000	Creditors for refreshments	650 000
		Sundry expenses	120 000
		Raffle tickets and expenses	200 000
		Balances: Cash	210 000
		Bank	600 000
	3 330 000		3 330 000

The treasurer had this **additional information** at 31 December 2016:

- 1** Stock of unsold refreshments was K390 000.
- 2** Subscriptions in advance K100 000.
- 3** Rent paid in advance K120 000.
- 4** The club policy was to depreciate:
Equipment at 20% on cost
Furniture at 10% on cost.

Your are required to:

- (a)** Calculate the Club's Accumulated Fund at 1 January 2016. [5½]
- (b)** Prepare the Club refreshments Trading Account [5]
- (c)** Prepare the Income and Expenditure Account for the year ending 31 December 2016. [13½]
- (d)** The Balance Sheet as at 31 December 2016. [10]

[Total: 34 marks]