

Candidate Name _____

Centre Number				Candidate Number									

EXAMINATIONS COUNCIL OF ZAMBIA

Examination for School Certificate Ordinary Level

Principles of Accounts

7110/2

Paper 2

Additional material:

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** the questions in Section **A**.
- 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		
TOTAL		

1 (a) State any three books of Prime Entry.

- [3]

- [7]

[illegible]

- (c) The Trial Balance below related to the business of Kandolo as at 31st March, 2015, the end of the month.

	Dr	Cr
	K	K
Sales		70 000
Purchases		30 000
Debtors		45 000
Creditors	20 000	
Cash at bank		15 000
Petty cash	5 000	
Sales returns		1 000
Purchases returns	1 500	
Equipment	18 000	
Machinery		28 000
Capital	52 000	
Carriage Inwards	1 500	
	<u>98 000</u>	<u>189 000</u>

The above Trial Balance was prepared by an incompetent Book-keeper. You are **required** to re-draft it correctly with a correct heading. [7]

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(d) From the list below, identify **five** capital expenditure items and write them in the spaces provided.

- (i)** Purchase of furniture for resale
- (ii)** Proceeds from sales
- (iii)** Purchase of Plant and Machinery for a factory
- (iv)** Payment of legal fees for a business plot
- (v)** Installation cost of a new alarm system
- (vi)** Payment for new equipment
- (vii)** Payment of wages and salaries for workers
- (viii)** Painting the premises after three (3) years
- (ix)** Painting of premises for the first time
- (x)** Repair of air conditioning system

[5]

- (i)**
- (ii)**
- (iii)**
- (iv)**
- (v)**

[TOTAL: 22 marks]

2 (a) Classify the following into Real, Personal and Nominal Accounts.

- (i) Drawings
- (ii) Zambwe Butcheries
- (iii) Purchases
- (iv) Discount Received
- (v) Rent
- (vi) Interest Received
- (vii) Land and Buildings
- (viii) Capital Account

[4]

- (i)
- (ii)
- (iii)
- (iv)
- (v)
- (vi)
- (vii)
- (viii)

(b) A firm's financial year ends on 31 December. Total debtors before writing off debts and creating provisions for bad debts were as follows:

K50 750 at 31 December 2012

K60 875 at 31 December 2013

K56 025 at 31 December 2014

Bad debts to be written off at the end of each year are K750, K875 and K1 025 respectively. At 31 December 2012 the firm decided to make a provision for bad debts equal to 2½% of debtors and keep the provision at the same percentage at each year end thereafter. **Show** the Provision for Bad Debts Account for the three years.

[7½]

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(c) State the suitable method of depreciation that a farmer may use for the following assets:

(i) A tractor costing K50 000 with an estimated life span of 10 years and an estimated scrap value of K2 000

(ii) Garden loose tools worth K3 000

(iii) Office furniture cost value K8 000

(i)

(ii)

(iii)

[3]

- (d)** Papendo started business on 1 January 2013 and bought two motor vans for K40 000 each paying by cheque. He decided that his policy would depreciate the vans each year at the rate of 20% per annum of their book value at the beginning of each year, i.e. using the reducing balance method. Depreciation was to be recorded in a separate Provision for Depreciation Account.

On 31 December, 2014 after allowing for the second year's depreciation he sold one of the vans for K27 000 which he paid into the bank and bought a new van for K50 000 on credit from Toyota Zambia Limited.

Required to prepare:

- (i)** the Motor Van Account;
- (ii)** the Provision for Depreciation of Motor Van Account for the two years 2013 and 2014, paying special attention to dates and wording.

[7½]

(i)

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(ii)

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[Total: 22 marks]

3 (a) Briefly explain the following terms used under Bank Reconciliation.

(i) Revised Cash Book

.....

(ii) Bank Statement

.....

(iii) Bank charges

.....

(iv) Standing order payment

.....

..... [4]

(b) The following incomplete records have been obtained from the records of L. Lungu a trader in second hand clothes.

	01/01/2014	31/12/2014
Stock	2 200	2 720
Debtors	9 160	10 200
Creditors	10 940	7 120

The following details for the period 1st January 2014 to 31st December 2014 were also available:-

Cash sales	15 000
Receipts from debtors	67 760
Payments to creditors	51 740
Discount allowed	800
Discount received	480
Cash purchases	12 000

From the details given above, **you are required to:**

(i) Prepare the creditors control account to calculate the credit purchases for the year and total purchases.

(ii) Prepare the debtors control account to calculate the credit sales for the year and total sales.

[11]

(i)

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(ii)

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- (c)** The Cash Book Bank balance of D. Sillilo at 31st December 2013 stood at K1 086 (credit) while the Bank Statement showed an overdraft of K720. A check between the Cash Book and the Bank Statement showed the following discrepancies;

(i)	Standing Order not entered in Cash Book.	200
(ii)	Deposits not yet credited by the bank	1 122
(iii)	Bank charges not entered in the Cash Book	40
(iv)	Cheques drawn but not presented	1 528
(v)	Dividends and interest collected by the Bank but not entered in the Cash Book.	200

You are required to:

- (i)** Update the Cash Book and carry down the balance. [4]
- (ii)** Draw up a Bank Reconciliation Statement, with correct heading, to reconcile with the Cash Book. [3]

(i)

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(ii)

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[Total: 22 marks]

Section B

**Answer only one question from this section on the answer booklet provided.
Answer either 4A or 4B not Both.**

Either

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

The following Trial Balance was extracted from the partnership books as at 30th June, 2015.

	F	Dr	Cr
		K	K
Capital Accounts: Chikunda			15,000
Chikanda			12,000
Current Accounts: Chikunda			1,000
Chikanda		1,500	
Drawings Accounts: Chikunda		4,500	
Chikanda		3,400	
Purchases and sales		43,000	80,000
Carriage inwards		1,600	
Salaries and wages		12,900	
General expenses		800	
Rent and rates		3,500	
Discounts		1,200	900
Returns		300	200
Motor vehicles (at cost)		30,000	
Furniture and fittings (at cost)		12,000	
Provision for depreciation (1 July 2014):			
Motor vehicles			12,000
Furniture and fittings			3,200
Stock 1 July 2014		8,600	
Debtors and Creditors		6,600	4,000
Provision for Bad debts (1 July 2014)			400
Bank			1,300
Petty Cash		100	
		130,000	130,000

Additional information:

- (i)** Stock as at 30 June 2015 was valued at K9,000
- (ii)** Rates paid in advance amounted to K300
- (iii)** K200 was owed for General Expenses on 30th June, 2015.
- (iv)** Fixed Assets are depreciated using straight line method as follows:
Motor vehicles at 20% per annum
Furniture and fitting sat 10% per annum
- (v)** The provision for bad debts is to be adjusted to K300.
- (vi)** Chikunda is entitled to an annual salary of K6,400 and Chikanda to K3,000.
- (vii)** Interest on capital is to be allowed at 10% per annum.
- (viii)** Interest on drawing amounted to K150 for Chikunda and K100 for Chikanda.

You are required to prepare:

- (a)** The Partnership Trading Account showing clearly the cost of sales and the Profit and Loss Account for the year. [13]
- (b)** The Appropriation Account for the year. [6]
- (c)** The Partnership Balance Sheet as at 30th June 2015. [15]

N.B: The Partner's Current Accounts **need not** be shown. Only the adjusted balances to be shown in the Balance Sheet.

[Total: 34 marks]

Or

- (b) The Receipts and Payments Accounts of Kabebya Football Club for the year ended 31 December 2015 was as follows:

TRIAL BALANCE AS AT 31 DECEMBER 2015

Receipts	(K)	Payments	(K)
Balance 1 January 2015	2 900	Rent and Rates	8 200
Subscriptions	12 350	Postage and stationery	2 350
Donations	650	Cost of refreshment	4 300
Gift (for purchase of equipment)	2 000	New equipment	3 500
Sales of refreshments	6 200	Sundry expenses	2 550
		Wages for refreshment preparation	1 000
		Balance c/d	2 200
	<u>24 100</u>		<u>24 100</u>

The following additional information is available

	1 January 2015	31 December 2015
	K	K
Stock of refreshments	350	300
Owing to suppliers for refreshments	250	-
Subscription in arrears	-	250
Subscription in advance	400	-
Equipment at valuation	3 400	5 900

You are required to prepare:

- (a) The Trading Account for the year ended 31 December 2015. [9]
- (b) The Income and Expenditure Account for the year ended 31st December 2015. [12]
- (c) The Balance Sheet as at 31st December 2015. [13]

[Total: 34 marks]