

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

Friday

30 OCTOBER 2009

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.

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.

This question paper consists of 10 printed pages.

1 (a) The table below shows Mr T Mwanamwalye's Account.

T. Mwanamwalye Account

				K	K
				Dr	Cr
2009					
April	01	Balance	b/f	480 000	
April	02	Bank			450 000
April	02	Discount Allowed			30 000
April	10	Bank (R/D)		450 000	
April	10	Discount Allowed		30 000	
April	14	Cash			480 000
April	20	Sales		500 000	
April	30	Balance	c/d		500 000
				1 460 000	1 460 000
May	01	Balance	b/d	500 000	

The above account was taken from the books of S.M Nakawa Ltd in the month of April 2009.

You are required to answer the following questions:-

- In which ledger is this account found?
- In which class of accounts is this account?
- Who is S.M. Nakawa Ltd to T. Mwanamwalye?
- What type of transaction took place on 2 April?
- What do the letters 'R/D' stand for?
- Why were the two entries on 2 April repeated on 10 April?
- Which source document was used by S.M. Nakawa Ltd for the entry on 20 April 2006?
- What does the balance on 1 May 2009 represent? [10]

a. _____

b. _____

c. _____

d. _____

e. _____

f. _____

g. _____

h. _____

- (b) On 1 January 2008, Elliot Monze started his business with K40 000 000 which he deposited in a business bank account. Full accounting records were not kept but the following information was available about his business as at 31 December, 2008:

	K
Stock	12 800 000
Debtors	13 600 000
Balance at bank	4 240 000
Loan from finance company	8 000 000
Fixed assets	44 800 000
Creditors	6 240 000

The bank statements for 2008 showed that Monze had sold some private investments for K8 000 000 which had been used for business purposes. The bank statements also showed that Monze had withdrawn K20 000 000 for his own use.

He decided at 31 December 2008 that K4 000 000 should be provided for depreciation on the fixed assets.

You are required to calculate the Net Profit or Net Loss for Elliot Monze for the year ended 31 December, 2008. [9]

Elliot Monze Statement of Profit and Loss for the year ended 31 December, 2008

2 (a) Write "True" or "False" for the statements below, using the guide provided.

- (i) There is no difference between Management Accounting and Financial Accounting.
- (ii) An error of original entry will affect the Trial balance.
- (iii) To verify a cheque deposited in the bank the book keeper should check on the credit side of the bank statement.
- (iv) Royalties are part of prime cost.
- (v) Directors of a company are voted in by ordinary shareholders.
- (vi) Introduction of a new partner in a partnership firm will not affect profit sharing ratio.

ITEM	TRUE OR FALSE
(i)	
(ii)	
(iii)	
(iv)	
(v)	
(vi)	

- 2 (b) E. Chimimba extracted a Trial Balance on 31 December 2008 which failed to agree by K1 990 000, a shortage on the credit side of the Trial Balance. A suspense account was opened for the difference.

In January 2009, the following errors made in 2008 were found:

- (i) Rent account had been undercast by K1 210 000.
- (ii) Discounts Received had been undercast by K1 900 000.
- (iii) Sales of K1 750 000 to F. Mubita had been debited in error to F. Mubika's account.
- (iv) Sales Day book had been undercast by K1 300 000.
- (v) The sale of a motor vehicle at book value had been credited in error to sales account, K1 080 000.

Required:

- (a) Show the journal entries necessary to correct the errors.
(Narratives not required) [10]
- (b) Draw up the Suspense Account after the errors described have been corrected. [6]
- (c) If the net profit had previously been calculated at K23 700 000 for the year ended 31 December 2008, show the calculations of the corrected profit. [7]

2.

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3 (a) The following descriptions refer to the balances appearing in B. Maliba's ledger at the end of the year on 30 June 2009.

- (i) B. Maliba has invested K20 000 000 in the business.
- (ii) A. Makuba owes B. Maliba K750 000.
- (iii) There is a bank overdraft of K450 000.
- (iv) An amount of K300 000 is owing to J. Mwandila.
- (v) A half-year's interest of K250 000 is due on a bank loan.

You are required to give the name of the account for each description above and state whether the balance is debit or credit.

[10]

	NAME OF ACCOUNT	TYPE OF BALANCE
(i)		
(ii)		
(iii)		
(iv)		
(v)		

3 (b) The capital structure of Pepa Ltd is as follows:

Authorised Share Capital:

- 5 000 000 ordinary shares of K1 each
- 2 000 000 12% preference shares of K1 each
- 2 000 000 10% preference shares of K1 each

Issued Share Capital:-

- 2 000 000 ordinary shares of K1 each, fully paid
- 1 500 000 12% preference shares of K1 each, fully paid
- 1 500 000 10% preference shares of K1 each, fully paid

Loan Capital

K1 000 000 10% debentures repayable 31 December 2008 issued on 1 January 2008

During the year ended 31 December 2008, the company made a trading profit of K2 500 000 **before** payment of interest.

The directors recommended the following:

- (i) Pay the dividends due on the preference shares.
- (ii) Transfer an amount of K500 000 to General Reserves
- (iii) Pay a dividend of 15% on the ordinary shares.

The balance of profit brought forward from 2007 was K1 500 000 and no interim dividends were paid during the year.

Required:

Prepare the Profit and Loss Appropriation Account for Pepa Ltd for the year end 31 December 2008.

[9]

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- 4 This Trial Balance was extracted from the books of a partnership business.
Trial Balance as at 31/12/2008

	Dr	Cr
	K(000)	K(000)
Capital Accounts at 01/01/08		
Shokwe.....		30 000
Siwale.....		25 000
Simwinde.....		10 000
Current Accounts at 01/01/08		
Shokwe.....		2 500
Siwale.....		3 600
Simwinde.....	100	
Returns.....	4 000	5 400
Loan (5 years).....		35 000
Premises.....	50 000	
Fixtures.....	23 500	
Cash in hand.....	2 350	
Bank.....		11 000
Bad Debts Recovered.....		2 000
Motor Vans.....	15 750	
Equipment.....	15 000	
Stock at 01/01/08.....	74 750	
Debtors/Creditors.....	20 800	43 800
Purchases/Sales.....	90 500	163 000
Provision for Bad Debts.....		2 000
Rates (¾ warehouse).....	900	
Wages (¼ warehouse).....	15 800	
General Expenses.....	2 200	
Insurance.....	350	
Drawings: Shokwe.....	7 500	
Siwale.....	5 500	
Simwinde.....	2 500	
	331 500	331 500

Additional information at 31/12/08 to be considered:

- (i) Unsold stock (at cost) K85 600 ✓
- (ii) Owing to stationery suppliers K250 (to be part of General Expenses) ✓
- (iii) Motor Vehicles were revalued to K14 250. ✓
- (iv) Equipment and Fixtures should be depreciated at 10%. ✓
- (v) Insurance prepaid K50 ✓
- (vi) Siwale was entitled to a salary of K2 700. ✓
- (vii) Drawings by partners to be charged 5% interest. ✓
- (viii) Interest on capital to be at 6%. ✓
- (ix) Profits and losses are shared in the ration of 3:2:1. ✓

Required:

- (a) Prepare the Partner's Trading, Profit and Loss and Appropriation Account for the year ended 31 December 2008. [24]
- (b) Prepare the Partner's current accounts as they would appear in the ledger after appropriation of profit or loss. [11]

[35]