

Candidate Name _____

Centre Number				Candidate Number			

EXAMINATIONS COUNCIL OF ZAMBIA

Examination for School Certificate Ordinary Level

Principles of Accounts

7110/2

Paper 2

Tuesday

8 NOVEMBER 2016

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 only **one** question in Section **B** (either **4A** or **4B**) on the separate Answer Booklet provided.
- 4 Both questions in Section **B** carry equal marks.
- 5 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		

Section A

1 (a) Mention the source documents used to write up the following subsidiary books

- (i) Sales Day Book
- (ii) Returns Inwards Book
- (iii) Purchases Day Book
- (iv) Returns Outwards Day Book

[4]

(b) Classify the transactions below according to capital expenditure, revenue expenditure, revenue receipt, capital receipt.

- (i) Import duty paid on delivery of office computers bought for business use.
- (ii) Sale of old furniture by cheque.
- (iii) Payment of interest on a loan obtained for extension of factory premises.
- (iv) Commission received for work done on behalf of another trader.
- (v) Legal costs for buying a new factory building.

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

[5]

(c) S. Musungu is a sole trader and the following transactions were extracted from his books on 31/12/2014.

	Dr K	Cr K
Capital		4 480
Salaries	3 540	
Debtors	4 220	
Purchases	6 860	
Sales		13 400
Drawings	1 920	
Bank		1 620
Cash	120	
Stock	1 680	
Buildings	720	
Sundry expenses	440	
	19 500	19 500

The given transactions took place after the extraction of the above Trial balance.

31	December	Bought goods by cheque	K90
"	"	Bought goods on credit	K500
"	"	Sold goods by cheque	K700
"	"	Paid cash for repairs	K50
"	"	Cash sales	K240
"	"	Received a cheque from S. Ziba a debtor	K520

Required:

Prepare another Trial balance after taking the above transactions into consideration.

[7]

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(d) From the following transactions, you are **required** to write up the Sales Day Book for Bubala.

- Jan 1 2014 Sold the following on credit to M. Simwaba:
 - 30 boxes of boom at K200 per box
 - 20 boxes of chik soap at K100 per box
 - Less 20% trade discount
- Jan 15 2014 Sold goods on credit to Chibata worth K7 000 less 10% trade discount
- Jan 28 2014 Mubita bought goods on credit from Bubala worth K3 000 net.

[6]

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(c) Define the term depreciation and name one cause of depreciation.

.....
.....
.....
.....

[2]

(d) A. Musonda bought four machines on credit from Mazembe Equipment Ltd on 1 January 2010 for K20 000 each. He charged depreciation on the machines 20% per annum each year by reducing balance method. The policy is to charge a full year's depreciation in the year of purchase but not charge any in the year of sale. Two of the machines were sold for K13 000 each by cash on 1 October 2012. On the same date two replacement machines costing K24 000 each were bought for cash. A. Musonda's financial year ends on 31 December 2012.

Required:

Prepare the Provision for machinery depreciation account for three years 2010, 2011 and 2012.

[7]

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3 (a) Explain the following errors that are not revealed by a Trial Balance.

(i) Error of Omission [2]

(ii) Error of Principle [2]

(i)
.....

(ii)
.....

(b) Mushangeli prepared a Trial Balance on 31 March 2014 and found that the credit showed a total of K44 000 more than the debit column. A Suspense Account was opened to make up the difference. Some days later, he discovered the following errors in his books.

(i) The Sales Day Book had been undercast by K30 000.

(ii) A purchase of goods costing K42 000 from Kalumbila was entered correctly in the purchases day book but was wrongly posted to K. Kalumbila's account as K24 000

(iii) The purchase of new Fixtures and Fittings costing K39 000 for business use had been debited to the Purchases Account.

(iv) A payment by cheque of K8 500 to a creditor P. Fulaka had been posted to the wrong side of his account although it was correct in the Bank Account.

(v) A Sales Ledger balance of K75 000 for Kengulula had been omitted from the Trial Balance figure.

Required:

(i) Prepare the Journal Entries necessary to correct the above entries. Narrations are not required. [10]

(ii) Write up the Suspense Account and balance it. [8]

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Section B

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

Answer either **4A** or **4B** not both.

Either

- 4 (a)** John Kapama is a manufacturer of children's toys. The following balances were extracted from his books on 31 December 2015.

Stocks (inventories) as at:	1/1/2015	31/12/2015
Raw materials	186 900	214 480
Work in progress	55 300	57 400
Finished goods	17 150	15 050
Purchases of raw materials		1 492 400
Purchases of finished goods		110 600
Purchases returns of finished goods		6 300
Sales		3 677 100
Discount Received		35 700
Factory Wages		1 017 100
Factory manager's salary		103 600
Factory Rent		162 400
Office salaries		253 400
Administrative Expenses		130 200
Distribution Expenses		163 800
Plant and Machinery (at cost)		560 000
Office Equipment (at cost)		168 000
Provision for depreciation of Plant and Machinery		252 000
Provision for Depreciation of Office Equipment		107 520
Debtors		309 750
Provision for Doubtful Debts		5 600
Creditors		137 200
Drawings		81 200
Bank overdraft		25 200
Capital		565 180

Additional information:

- 1** The finished goods are transferred from the factory at the manufacturing cost of production plus an addition of 10% for factory profit.
- 2** At 31 December 2015:
Factory wages due K87 500
Distribution costs of K13 020 were prepaid
- 3** Depreciation is to be charged on factory plant and machinery at 25% per annum using.
- 4** Depreciation is to be charged on Office Equipment at 40% per annum using diminishing balance method.
- 5** A cheque for K33 600 was received from a debtor on 31 December 2015 but the adjustment was not made in the books.
- 6** The provision for doubtful debts is to be maintained at 2% of debtors.

Required:

- (a)** Prepare the Manufacturing Account for the year ended 31 December 2015. Show clearly the market value, raw materials consumed, prime cost, cost of production and manufacturing profit. [12]
- (b)** Trading and Profit and Loss Account (income Statement) for the year ended 31 December 2015. [11]
- (c)** Balance Sheet as at 31 December 2015. [11]

[Total: 34 marks]

OR

- 4 (b) Mable Tembo is an importer of second hand clothes; whose Trial Balance as at 31 December 2015 is given below.

TRIAL BALANCE AS AT 31 DECEMBER 2015

	Dr K	Cr K
Sales		191 600
Purchases	96 680	
Returns Outward		1 920
Stock 1/1/2015	21 560	
Wages	23 000	
Motor Vehicle expenses	13 000	
Premises at cost	120 000	
Motor vehicles at cost	40 000	
Provision for depreciation on Motor Vehicle		30 000
Provision for depreciation of Premises		24 000
Rent and Rates	15 400	
Light and Heat	9 900	
General Expenses	12 400	
Discount Received		10 600
Provision for Bad Debts		1 120
Returns inwards	11 600	
Discount allowed	5 400	
8% Bank loan repayable 30 June 2019		60 000
Cash	540	
Bank		3 360
Debtors	37 000	
Creditors		19 500
Drawings	22 620	
Commission Received		22 900
Capital		70 000
Insurance	5 900	

Additional information:

- 1 Stock at 31 December 2015 was valued at K25 200.
- 2 20% of the wages was carriage inwards and 80% for selling expenses.
- 3 Depreciation is to be charged on premises at the rate of 1% per annum on cost using the straight line method and 25% per annum on delivery motor vehicles using reducing balances method. Depreciation of delivery Motor Vehicles to be shared 4:1 to selling expenses and carriage inwards.
- 4 Interest on loan is due on 31 December 2015.
- 5 Insurance in advance amounted to K900 and electricity due amount to K260 on 31 December 2015.
- 6 The provision for Doubtful Debts is to be maintained at 3% of debtors.

Required:

- (a) Prepare Trading, Profit and Loss Account (Income Statement) for Mable Tembo for the year ended 31 December 2015. [20]
- (b) Balance Sheet as at 31 December 2015 [14]

[Total: 34 marks]