

Candidate Name _____

Centre Number				Candidate Number										

EXAMINATIONS COUNCIL OF ZAMBIA

Examination for General Certificate of Education Ordinary Level

Principles of Accounts

7110/2

Paper 2

Tuesday

25 JULY 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		
TOTAL		

Section A

Answer all questions in this section

1 (a) Give **three** examples of transactions entered in the General Journal as a Subsidiary Book.

(i)

(ii)

(iii)

[3]

(b) Write up K. Lweendo's Bank Account **only** from the following transactions for the month of July 2016

2016

July 1 Started business with K25 000 in the Bank .

July 2 Bought furniture by cheque K1 500.

July 3 Bought machinery K7 500 on credit from Michelo B.

July 5 Bought a second hand Van paying by cheque K6 000.

July 8 Sold some of the office furniture not suitable for the company on credit to M. Bwalya for K600.

July 15 Paid the amount owing to B. Michelo K7 500 by cheque.

July 23 Received the amount due from M.Bwalya K600 in cash.

July 31 Bought more machinery by cheque, K2 800.

[7]

- (c) The following list of balances relate to T. Sausage's business for the month of April 2016:

Sales	90 000
Returns Outwards	6 000
Carriage Inwards	10 000
Wages and Salaries	24 000
Opening Stock	12 000
Capital	20 000
Drawings	5 000
Accounts Receivable	48 000
Accounts Payable	21 000
Bank Overdraft	8 000
Bad Debts	7 500
Purchases	40 000
Discount Received	2 000

You are required to prepare T. Sausage's Trial Balance with the correct heading.

[7]

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- (d) Classify the following items under their appropriate headings namely; Capital Expenditure, Capital Receipts, Revenue Expenditure or Revenue Receipts.
- (i) Sale of old motor van.
 - (ii) Cost of extension to the factory premises.
 - (iii) Interest received on the mortgage given to G.K Company
 - (iv) Legal costs on the purchase of a factory machinery.
 - (v) Cheque paid to a Landlord for rent.

Item	Classification
(i)	
(ii)	
(iii)	
(iv)	
(v)	

[5]

[Total: 22 marks]

- 2 (a) (i) State the three types of ledgers
- (a)
 - (b)
 - (c) [3]

- (ii) Define Nominal Accounts and give an example.
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-
-
- [2]

- (b) L Malumbe is a supplier to H. Bwalya from the details given below.
You are required to prepare L. Malumbe's Account for the month of March 2016 as it would appear in H. Bwalya's books:

2016

- March 1 Balance owing to L. Milumbe was K2 130
- March 9 H. Bwalya bought goods valued at K2 700 less 20% Trade Discount from Malumbe
- March 16 H. Bwalya returned some of the goods to L. Malumbe bought on 9th March list price K900
- March 25 H Bwalya paid L. Malumbe the amount due on 1st March by cheque less 2½% cash discount.

[8]

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(c) Depreciation which may be defined as the cost of the asset consumed, spread over the useful life of the asset, has three main methods of being recorded. List these three methods of depreciation commonly used.

(i)

(ii)

(iii) [3]

(d) On 1 January 2015, G. Mwamba bought Network Computer Hardware for K9 500. It is to be depreciated by the straight line method at the rate of 20% ignoring salvage value. On 1 January 2017 the system was sold for K4 250.

Prepare the following accounts for the complete period of ownership.

(i) Provision for Depreciation Account. [4]

(ii) The Computer Disposal Account. [2]

[Total: 22 marks]

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3 (a) (i) Briefly explain what a standing (stop) order is.

.....
.....
..... [2]

(ii) Give **two** reasons for dishonouring a cheque.

.....
.....
..... [2]

(b) Muyunda Habanji’s Cash Book (Bank column) showed a debit balance of K39 480 on 30 September 2016. On the same date the Bank Statement was showing a credit balance of K69 050.

Upon investigation the following differences were revealed:

- (i)** Cheques amounting to K7 690 had been deposited into the Bank but were not yet reflected on the statement.
- (ii)** Habanji was not aware that the Bank had deducted Bank charges of K595
- (iii)** Cheques given out to creditors amounted to K28 480 but not yet paid out by the Bank.
- (iv)** A standing order to Madison Insurance K545 had been made by the Bank but Habanji was not aware until 30 September.
- (v)** A credit transfer of K9 920 for dividends had been credited on the Bank Statement but was not yet appearing in the Cash Book.

Required:

- (i)** Update Habanji’s Cash Book to show the true balance on 30 September 2016. [5]
- (ii)** Draw a statement with correct heading to reconcile the Cash Book balance. [6]

(i)

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(ii)

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- (c)** Njavwa Njelani did not keep a complete set of books for his business. However the following balances were found at the end of the year 31 December 2016.

	K
Capital at 1 January 2016	35 000
Capital at 31 December 2016	80 000
Cash from private resources put into business during the year	10 000
Drawings during the year	12 000
General repairs to Premises	5 000
Depreciation of Assets	6 500

You are required to draw up Njelani's Statement of Profit and Loss for the year ending 31 December 2016. [7]

[Total: 22 marks]

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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)** Nakonde Sports Club had the following assets and liabilities as at 1 January 2016.

	K
Equipment	3 600
Subscriptions in arrears	195
Subscriptions in Advance	30
Owing to suppliers of Refreshments	174
Stock of refreshments	114

The following is a summary of Receipts and Payments for the year ended 30 September 2016

Receipts	K	Payments	K
Balance 1/1/2016	630	Camping expenses	489
Sales of Refreshments	1 311	Rent	4 206
Subscriptions	5 961	Hire of ground	3 825
Donations	531	Donations to charity	105
VAT refund	1 500	Cost of Refreshments	810
Balance (OD) c/d	39	Advertising and stationery	537
	<u>9 972</u>		<u>9 972</u>

The following information is also available at 30 September 2016

	K
Equipment	2 850
Subscriptions in arrears	255
Subscriptions in Advance	121
Owing to suppliers of Refreshments	204
Stock of refreshments	138

Required:

- (a)** Calculate the accumulated fund [4]
- (b)** Refreshments Trading Account for the year ended 31 December 2016. [6]
- (c)** Income and Expenditure Account for the year ended 31 December 2016. [11]
- (d)** Balance Sheet as at 31 December 2016. [13]

[Total: 34 marks]

[Turn over

OR

- 4 (b)** Winter and Edith are in partnership sharing profits and losses in the ratio 2:1. The following balances were extracted from the business on 31 December 2016.

	K
Provision for depreciation of Motor Vehicles	3 000
Provision for depreciation of Fittings	2 000
Bank	950
Drawings: Winter	2 000
Edith	600
Motor Vehicles at cost	35 000
Fittings at cost	12 000
Premises	20 000
Rent Received	500
Debtors	25 700
Creditors	15 600
Current accounts: Winter	600
Edith	0
Provision for Doubtful Debts	950
Gross Profit	32 000
Heating and Lighting	1 400
Wages and Salaries	4 100
Cash	600
Capital Accounts: Winter	35 000
Edith	12 000

At 31 December, 2016 the following information needs to be taken into consideration:

- (i)** The provision for Doubtful Debts is to be maintained at 3% of debtors.
- (ii)** Rent Received of K100 has been paid in advance
- (iii)** A heating invoice of K100 has not yet been paid.
- (iv)** K200 wages have been prepaid

- (v)** Depreciation needs to be provided on the following basis
- Motor vehicles at 10% using straight line method
 - Fittings at 15% using reducing balance method
- (vi)** The partnerships agreement provides for the following:
- Interest on drawings is charged at the rate of 6% per annum
 - Interest on capital is allowed at the rate of 8% per annum
 - Edith is to receive a salary of K3 263 per annum

You are required to prepare:

- (a)** Partnership Profit and Loss Account for the year ended 31 December 2016. [7½]
- (b)** Partnership Appropriation Account for the year ended 31 December 2016. [7]
- (c)** Partnership Current Accounts for the year ended 31 December 2016 [7]
- (d)** The Balance Sheet as at 31 December 2016. [12½]

[Total: 34 marks]

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