

Candidate Name \_\_\_\_\_

Centre Number	Candidate Number

# EXAMINATIONS COUNCIL OF ZAMBIA

Examination for School Certificate Ordinary Level

## Principles of Accounts

7110/2

Paper 2

Monday

5 NOVEMBER 2018

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		
<b>TOTAL</b>		

Section A

Write the answers in the spaces provided for each question or part of the question.

1 (a) Name the document given out by the business under the following circumstances:

- (i) When a customer is undercharged.
- (ii) When the business sells goods on credit.
- (iii) When the business pays out money from its Current Account.
- (iv) When damaged goods are returned to the business.

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

[4]

(b) The following information relates to the business of Kanguluma for the first week of October 2017.

- Oct. 1 The Cashier received cash of K2 000.00 at the beginning of the week.
- 1 Paid cash for a bus fare K20.00
- 2 Paid cash for sugar K30.00
- 2 Paid Lungu cash of K400.00
- 3 Bought Boom for cash K100.00
- 4 Bought stamps for K50.00 cash
- 5 Paid cash for envelopes K90.00
- 6 Bought pens for cash K180.00
- 7 Paid cash for cobra K200.00

You are required to prepare Kanguluma's Petty Cash Book for the week and restore the imprest.

[5]





- (c) T. Banda is a retailer whose balances are given below on 31 December 2017.

	<b>K</b>
Purchases	24 000.00
Sales	39 800.00
Returns outwards	250.00
Carriage inwards	310.00
Wages and Salaries	9 223.00
Sundry Expenses	1 584.00
Petty Cash	1 453.00
Debtors	26 240.00
Creditors	1 617.00
Motor Vehicles	4 384.00
Stock (inventory)	1 850.00
Capital	28 377.00
Drawings	1 000.00

**Required:**

Prepare T. Banda's Trial Balance with the correct heading.

[7]  
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(d) For the transactions below, show whether they are Capital Expenditure/Receipt or Revenue Expenditure/Receipt:

- (i) Received a cheque K25 000.00 for an old Van disposed of.
- (ii) Paid K6 000.00 to ZRA for clearance of an imported salesman's car.
- (iii) A tenant paid cash K2 500.00 to the business.
- (iv) Bought stationery for the office K1 500.00.
- (v) Paid a contractor K10 500.00 for extension of the shop. [5]

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

[Total: 22 marks]



- 2 (a) The following Accounts appeared in the books of J. Mwaango a Dealer in secondhand clothes.

**Classify** them into Real, Personal and Nominal Accounts:

- (i) Loan
- (ii) Interest paid
- (iii) Plant and Machinery
- (iv) Drawings
- (v) Banda and Sons
- (vi) Sales
- (vii) Sales Returns
- (viii) Cash in hand

- (i) .....
- (ii) .....
- (iii) .....
- (iv) ..... [www.eczpastpapers.com](http://www.eczpastpapers.com)
- (v) .....
- (vi) .....
- (vii) .....
- (viii) .....

[4]



(b) The following details were found in the books of Mungumasi and related to the month of March 2016 in respect of Kawama Phiri .

**2016**

- March 1 Mungumasi was owed K1 950.00.
- 3 Goods supplied to Kawama Phiri K2 600.00, less 10% discount.
- 6 Kawama Phiri paid last month's account by cheque less 5% Cash Discount.
- 10 one-fifth ( $\frac{1}{5}$ ) of goods to Kawama Phiri on 3<sup>rd</sup> March were returned as damaged in transit.
- 24 Mungumasi supplied further goods to Kawama Phiri K936.00.
- 31 Kawama Phiri paid on account by cash K808.00.

**Required:**

Prepare Kawama Phiri's Account in Mungumasi's books for the month of March 2016. [8]


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3 (a) Explain briefly the following terms used under Bank Reconciliation Statement.

(i) Unpresented cheques

.....  
.....

(ii) Uncredited cheques

.....  
.....

(iii) Dishonoured cheques

.....  
.....

(iv) Bank overdraft

.....  
.....

[4]

(b) On 31 December 2017, the Bank column of G Mumba's Cash Book showed a debit balance of K5 000.00. The monthly Bank Statement written up to 31 December 2017 showed a credit balance of K7 690.00.

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A check between the Cash Book and Bank Statement showed the following discrepancies:

- (i) Dividends of K3 000.00 had been paid directly to the bank.
- (ii) A Credit Transfer VAT refund of K1 000.00 had been collected by the Bank.
- (iii) Bank Services charged K60.00.
- (iv) A Standing Order of K500.00 for G. Mumba's medicals had been paid by his Bank.
- (v) G. Mumba's Deposit Account balance of K2 500.00 was transferred into his Bank Current Account.
- (vi) A cheque in favour of John Kaputula of K750.00 had been entered in the Cash Book but had not been presented for payment.
- (vii) Cheques amounting to K4 000.00 had been paid into the bank on 31 December 2017 but were not credited by the Bank until 5<sup>th</sup> January 2018.

**Required to prepare;**

(i) A revised Cash Book.

[4]

(ii) Bank Reconciliation Statement with correct heading.

[2]





- (c) Given below are the assets and liabilities of Ruth Manase who does not keep the books of Accounts in full since she commenced her Business two years ago.

	<b>01/01/2017</b>	<b>31/12/2017</b>
	<b>K</b>	<b>K</b>
Inventory	400.00	300.00
Cash	100.00	50.00
Accounts Receivable	500.00	200.00
Rent prepayments	60.00	90.00
Accounts Payable	700.00	700.00
Drawings		330.00
Loan		380.00
Motor Vehicles	2 000.00	1 800.00

**Required to prepare:**

- (i) Statement of Affairs as at start and at the end.
- (ii) Statement of Profit or Loss as at 31/12/17.

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(i)


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(ii)

[Total: 22 marks]



**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)** Pimpa and Banji are in a Partnership sharing profits and losses in the ratio 2 : 1 respectively. The following Ledger Accounts balances were taken from the books of the Partnership on 31 December 2017.

Details	K	K
Sales	132 150.00	
Rent, Rates and Insurance	7 300.00	
Purchases	60 600.00	
Wages and Salaries	21 850.00	
Motor Expenses	11 450.00	
Land and Buildings	55 300.00	
Motor vehicles (at cost)	24 000.00	
Provision for depreciation of Motor Vehicles	9 600.00	
Stock at 1 January 2017	4 800.00	
Accounts Receivable	14 500.00	
Accounts Payable	4 350.00	
Bank	4 700.00	
Capital Accounts 1 Jan 2017:		
Pimpa	40 000.00	
Banji	20 000.00	
Current Accounts 1 Jan 2017:		
Pimpa	6 300.00	
Banji	6 650.00	
Drawings:		
Pimpa	6 400.00	
Banji	8 150.00	

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**Additional Information**

- (i) Stock at 31 December 2017 was valued at K5 050.00.
- (ii) Wages and Salaries of K1 850.00 were accrued at 30 December, 2017.
- (iii) A Provision for Doubtful Debts of 2% of Debtors at 31 December 2017 was to be created.
- (iv) Motor Vehicles were to be depreciated by 40% per annum using reducing Balance Method.
- (v) Banji is entitled to partnership salary of K5 300.00 per annum.
- (vi) Interest on capital was allowed at 5% per annum.

**Required to prepare:**

- (a) the Partnership Trading and Profit and Loss Account for the year ending 31 December, 2017 [10]
- (b) the Partnership Appropriation Account for the year [6½]
- (c) Current Accounts for partners [5½]
- (d) Balance Sheet as at 31 December, 2017 [12]

**[Total: 34 marks]**

Or

- (b) The following is a summary of the Receipts and Payments Account of Batoka Rotary Club during the year ending 31 December 2015.

**BATOKA ROTARY CLUB**

**RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR  
ENDING 31 DECEMBER 2015.**

	K		K
Cash at Bank balance	K420.00	Secretarial expenses	326.00
Sales of competition tickets	874.00	Rent	2 804.00
Members' Subscriptions	3 974.00	Visitors Speakers' expenses	2 550.00
Donations	354.00	Donation to charities	70.00
Refund of Rent	1 000.00	Prizes for competitions	540.00
	26.00	Stationery Printing	358.00
Balance c/d	<u>6 648.00</u>		<u>6 648.00</u>

The following valuations are also available at 1 January and 31 December 2015

	Jan 1	Dec 31
Equipment (Original cost K1 420)	1 950.00	1 560.00
Subscriptions in arrears	130.00	170.00
Subscriptions in advance	20.00	74.00
Owing to suppliers of competition prizes	116.00	136.00
Inventory of competition prizes	76.00	92.00

**Required:**

- (a) Calculate the value of the Accumulated Fund of Batoka Rotary Club, as at 1 January 2015 [6]
- (b) Prepare the following:
- (i) Subscriptions Account [5½]
- (ii) The Competition Prizes Account [4½]
- (c) Income and Expenditure Account for the club for the year ending 31 December, 2015. [8½]
- (d) Balance Sheet [9½]

**[Total: 34 marks]**