

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

Centre Number		Candidate Number			

# EXAMINATIONS COUNCIL OF ZAMBIA

Examination for School Certificate Ordinary Level

## Principles of Accounts

7110/2

Paper 2

### Specimen

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 in the question paper.
- 4 For **Question 3** answer only **one** question, either **3 (i)** or **3 (ii)**; not both. Both question **3 (i)** and **3 (ii)** carry equal marks.
- 5 Answer only **one (1)** question in Section **B**; either **4 (a)** or **4(b)** on the separate Answer Booklet provided. Both questions 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 before you begin writing.

Cell phones are not allowed in the examination room.

For Examiner's Use Only		
Section A		
Section B		
Total		

**Section A**

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

- 1 (a) For the table below write the missing source document or book of prime entry to match them.

SOURCE DOCUMENT	BOOK OF PRIME ENTRY
Original Credit Note	(i)
(ii)	Sales Returns Journal
Cheque	(iii)
(iv)	Sales Journal

[4]

- (b) R. Phiri had the following transactions for the Returns Books for April 2019;

April 6 Returned assorted goods to J. Mulenga Wholesaler all valued at K5 000.00 list price less 10% Trade discount:  
Reason damaged in transit.

April 10 Mulilo Muleya returned:

5 2.5 litres cooking oil at K44.00 each, containers not full.

2 cases white sugar at K300.00/case damaged

April 12 Returned to Lekisa Wholesalers:

5 chitenge pieces @ K28.00 each as poorly finished.

6 T-shirts @ K50.00 each as soiled along the way.

All subject to 20% Trade Discount.

April 20 Annah Jolezya returned

3 cases brown sugar @ K300.00 per case as underweights

**Required:**

You are required to prepare R. Phiri's Purchases Returns Journal only for the month.

1 (b)

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(c) The following Trial Balance was drawn by an inexperienced bookkeeper and has a number of errors;

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**Mweemba Mwiimbi Trial Balance  
for the year ended 30 September 2019**

Details	Dr		Cr	
	K	N	K	N
Capital			33 000	00
Sales			19 000	00
Returns Outwards	600	00		
Purchases	12 000	00		
Carriage on Purchases	1 000	00		
Carriage on Sales			2 200	00
Discount Allowed			1 800	00
Discount Received	400	00		
Cash at Bank	4 000	00		
Stock at 1 October 2018	4 000	00		
Premises	40 000	00		
Rent Received	2 000	00		
Loan from Building Society	10 000	00		
Suspense account			18 000	00
	74 000	00	74 000	00

[Turn over



(d) State the type of expenditure, capital or revenue incurred in the following transactions:

- (i) Cost of installing a new machine.
- (ii) Carriage costs on purchases.
- (iii) Legal costs for collecting debts.
- (iv) Building extension to the warehouse.
- (v) Fire Insurance costs.

[5]

**TYPE OF EXPENDITURE**

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

[Total: 22 marks]

2 (a) Name the ledger in which the following accounts may be found;

- (i) Credit customers accounts.
- (ii) Purchases Account.
- (iii) Rent and Rates Account.
- (iv) J. Muyumbana; a supplier of groceries on credit.

LEDGER IN WHICH ACCOUNT IS FOUND	
(i)	
(ii)	
(iii)	
(iv)	

(b) A. Banda owns houses which he lets out to tenants at a total rent fixed at K60 000.00 per annum.

The following details were availed to you for the year ending 31 December 2019:

- January 1 Balance from tenants owing to Banda K6 000.00.
- April 5 Total cheques received from tenants K31 000.00.
- August 10 Cheques from tenants K24 000.00.
- December 15 Cash from tenants K7 000.00.

**Required:**

Prepare the Rent Receivable Account in the appropriate ledger for the year, showing the transfer to Profit and Loss Account and the balance if any.

Pay attention to dates and detail.

[8]

2 (b)

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(c) State the method of depreciation you would best use for the following assets:

- (i) Loose tools for a garage owner.
- (ii) A delivery van with life span estimated at 10 years.
- (iii) Factory plant and machinery without life span estimation. [3]

<b>METHOD OF DEPRECIATION</b>	
(i)	
(ii)	
(iii)	

(d) J. Mulenga Pvt Ltd had the following Ledger Accounts balances in relation to the Motor Vehicles at 1 January 2019:

	<b>K</b>	<b>N</b>
Motor Vehicles Account	150 000.00	
Provision for Depreciation	90 000.00	

Depreciation is provided at the rate of 20% of cost of the motor vehicles. A full year's depreciation is charged in the year of purchase but no depreciation is charged in the year of disposal.

A vehicle bought for K50 000.00 in June 2016 was sold off at K18 000.00 and a cheque received on 1 November 2019.

You are **required** to write up and balance the:

- (i) Motor Vehicles Account,
- (ii) Motor Vehicle Disposal Account

and show how they appeared in the ledger at 31 December 2019. [7]

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**EITHER**

- 3 (i) (a) State the effect on the Trial Balance for the following errors committed:

**e.g. sales figure was under cast by K2 000.00**

- (i) A cheque received from M Musongole K5 000.00 was recorded on the wrong side of the Cash Book.
- (ii) The discounts allowed total from the cash book K6 500. 00 was not posted to the ledger. [2]

	<b>EFFECT ON THE TRIAL BALANCE</b>
<b>e.g.</b>	<b>Credit side will be smaller by K2 000.00</b>
(i)	
(ii)	

- (b) V. Mulewa drew up a Trial Balance on 30 September 2019, from the ledger accounts balances in his books. Unfortunately the Trial Balance sides did not agree and a Suspense Account was opened for the difference.

Upon investigation the following errors were discovered:

- (i) The total of the Purchases Returns Journal, K3 700.00 had not been posted to the ledger.
- (ii) The purchase for K4 200.00 of Office Furniture had been posted to the Purchases Account.
- (iii) A sale of K5 000.00 to C. Walubita was entered wrongly as K6 000 in his account.
- (iv) A debit balance of K8 700. 00 of A. Foloko's Account was brought down as K7 800. 00 and the wrong figure was included in the debtors figure to the Trial Balance.
- (v) Goods bought from S. Simikoko K7 000. 00 were credited to R.S. Simukoko.

After the corrections the Suspense Account was cleared.

**Required**

- (i) Make the Journal entries (narrations not required).
- (ii) Draw up the Suspense Account to show how it clears including the opening balance to be determined after making the necessary postings. [4]

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(c) Joel Samakayi's Cash Book (Bank column) and the Bank Statement for the month of September 2019 showed the following details:

**CASH BOOK (BANK COLUMN)**

			f	Dr K	N	Cr K	N
2019							
Sept	1	Balance	b/f	12 000	00		
	3	L Libongani				1 800	00
	12	J. Chanda		4 500	00		
	19	R. Simutengu				5 400	00
	23	Desai & Sons				21 000	00
	24	Mweemba Choolwe		1 200	00		
	30	J. Mwilima		21 500	00		
	30	Balance	c/d			11 000	00
				39 200	00	39 200	00

**BANK STATEMENT**

		Details		Payments		Receipts		Balance	
2019				K	N	K	N	K	N
Sept	1	Balance	b/f					12 000.00	
	13	J. Chanda				4 500.00		16 500.00	
	18	L. Libongani		1 800.00				14 700.00	
	20	Banker's Order-Rent		2 000.00				12 700.00	
	22	R. Simutenga		5 400.00				7 300.00	
	24	Mweemba Choolwe				1 200.00		8 500.00	
	29	Unpaid cheque-M Choolwe		1 200.00				7 300.00	
	30	Dividends				1 800.00		9 100.00	

**Required**

- (i) Bring the Cash Book up-to-date beginning with the balance at 30 September, 2019. [4]
- (ii) Prepare the Bank Reconciliation statement with its correct heading to reconcile the difference between the amended Cash Book and the Bank Statement balances. [3]

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OR

- 3 (ii) (a) Lusaka Wholesalers had the following information for the Debtors and Creditors Control Accounts for the month of October 2019

2019		K	N
Oct	1	Debtors ledger control balance	35 800 00
	1	Debtors ledger control credit balance	2 700 00
	1	Creditors ledger control balance	28 500 00
	1	Creditors ledger control debit balance	3 400 00
Oct	31	Credit sales for the month	62 600 00
		Cash sales for the month	10 870 00
		Credit purchases for the month	50 860 00
		Sales returns	1 600 00
		Purchases returns	2 500 00
		Cheques received from debtors	70 000 00
		Cheques paid to creditors	55 600 00
		Discounts Allowed	10 700 00
		Discounts Received	8 750 00
		Debtors dishonoured cheques	8 900 00

**Required**

To prepare the Sales Ledger Control Account only and show the closing balance.

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- (b) The following information relates to the business of Chilyata Halubono for the year ended 30 November 2019

	<b>K</b>	<b>N</b>
Sales	1 300 000	00
Sales returns	50 000	00
Stock at 1 December 2018	57 000	00

Gross profit is at the rate of 40% on Turnover.

Net profit is at the rate of 15% on Turnover.

Rate of Stock-Turnover is 12.

**Using the information provided above, calculate the:**

- (i) Year's turnover. [2]
- (ii) Gross Profit. [2]
- (iii) Cost of Goods sold. [2]
- (iv) Net Profit. [2]
- (v) Cost of the Closing Stock at 30 November 2019. [6]

**[14 marks]**

**[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)** Matyola Chilumuna does not keep a full set of books for the business but has the following information available

	1 October 2018		30 September 2019	
	<b>K</b>		<b>K</b>	
Stock	47 000	00	64 000	00
Debtors	19 000	00	20 000	00
Bank	8 500	00		
Bank Overdraft			24 500	00
Creditors	25 500	00	17 500	00
Premises	20 000	00	21 000	00
Equipment	43 000	00	39 000	00
Motor Vehicles			52 000	00

During the year Chilumuna took K3 500.00 cash per month for his personal use.

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He also paid K7 000.00 expenses for repair of his private motor vehicle from the business Bank Account.

In June 2019 he sold some of his private investments for K30 000.00 and put the proceeds into the business Bank Account.

**Required**

- (i)** Calculate the opening and closing business capital show your workings. [19]
- (ii)** Prepare a statement showing profit or loss for the year ending 30 September 2019. [6½]
- (iii)** Prepare a Balance Sheet as at 30 September 2019. [8½]

**[Total: 34 marks]**

OR

- (b) The following summarized Bank Account relates to Moonze Football Club for the year ended 31 December 2019

DEBIT	K	N	CREDIT	K	N
Balance (1-01-2019)	4 000	00	Rent of ground	8 600	00
Members subscriptions	14 600	00	New Football Equipment	3 200	00
Collections at matches	4 050	00	Wages	5 000	00
Sales of Refreshments	6 750	00	Cost of Refreshments	3 400	00
Sale of surplus football equipment (book value K1 100.00)	700	00	Postage and stationery	1 800	00
			Sundry expenses	2 500	00

**Additional Information:**

	1 January 2019 K	31 December 2019 K
Subscriptions in advance	400.00	800.00
Subscriptions in arrears	200.00	
Football equipment at valuation	3 300.00	5 400.00
Stock of refreshments	600.00	700.00
Owing to suppliers of refreshments	350.00	450.00
Unbanked cash from collections		400.00

Of the wages expenses figure; K3 000.00 was for ground upkeep

K2 000.00 was for preparation of refreshments

**Required**

- (i) Calculate (showing your working) the accumulated subscriptions on 1 January 2019. [3]
- (ii) Prepare the Subscriptions Account. [3]
- (iii) Prepare the Refreshments Trading Account for the year. [6]
- (iv) Prepare the Income and Expenditure Account for the year and a Balance Sheet at 31 December 2019. [2]

**[Total: 34 marks]**