

8400423



Centre Number				Examination Number			

EXAMINATIONS COUNCIL OF ZAMBIA



Examination for General Certificate of Education Ordinary Level

Principles of Accounts

7110/2

Paper 2

Thursday

1 AUGUST 2024

Additional materials:
Answer Booklet

Time: 2 hours

Marks: 100

Instructions to Candidates

- Write the **centre number** and your **examination number** on **every page** of this paper and on the separate **Answer Booklet** provided.
- There are **two** sections in this paper; Section **A** and **B**.
- For **Section A**:
 - Answer **all** questions in the spaces provided in the question paper.
 - Questions **1** and **2** are **compulsory**. For **Question 3** answer only **one** question, either **3A** or **3B**; **not both**. Both question **3A** and **3B** carry equal marks.
- For **Section B**: Answer only **one** question either **4(a)** or **4(b)** on the separate **Answer Booklet** provided. Both questions in Section **B** carry equal marks.
- For question **3** of Section **A** and question **4** of Section **B**, enter the numbers of the questions you have answered on the grid under the column 'For Candidate's Use'.
- 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** minutes to read through the paper before you begin writing.
- Cell phones and other electronic devices are **not allowed** in the examination room.

For Candidate's Use		For Examiner's Use	
Section	Question	Mark Obtained	Examiner's Initials
A	1		
	2		
B			
Total			

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SECTION A

Question 1 and 2 are **compulsory**. For **Question 3** answer only one question, either **3A** or **3B**; **not** both.

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

1 (a) Match each of the following day books to its correct source document.

S/N	Day Book	S/N	Source Document
(i)	Sales Day Book	(i)	Original Invoice
(ii)	Cash Book	(ii)	Duplicate Invoice
(iii)	Purchases Returns Day Book	(iii)	Cheque counterfoil
(iv)	Purchases Journal	(iv)	Original Credit Note

Write the actual number and name of the source document in the blank spaces provided to match with the Day Book.

S/N	Day Book	S/N	Source Document
(i)	Sales Day Book		
(ii)	Cash book		
(iii)	Purchases Returns Day Book		
(iv)	Purchases Journal		

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[4]

(b) Show the journal entries for the following transactions:

2022

Jan 1 Bought computers on credit from Uptown I.T Ltd for K12 000.00

Jan 9 The owner of a business took goods worth K360.00 without paying for them.

Jan 13 P. Khondwani, a debtor, owed the business K500.00. It was decided to write off the amount as a Bad Debt.

Narrations are **not** required.

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- (c) The following balances were taken from the Books of T. Mulenga as at the end of the financial year on 28 February 2022:

	K	N
Sales	119 100.00	
Purchases	72 000.00	
Loan from ZANACO	80 000.00	
Capital	155 000.00	
Premises	222 000.00	
Trade Receivables	7 460.00	
Trade Payables	6 700.00	
Bank Overdraft	4 160.00	
Wages and Salaries	22 300.00	
Marketing Expenses	25 400.00	
Inventory 1 March 2021	5 500.00	
Drawings	10 000.00	
Purchases Returns	150.00	
Petty Cash	450.00	

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Required:

Prepare T. Mulenga's Trial Balance at that date.

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- (d) Classify the following transactions into either Capital or Revenue Receipts.
- (i) Cost of re-painting a building:
 - (ii) Cost of transportation of an imported delivery van:.....
.....
 - (iii) Cost of road tax for an old motor vehicle:
.....
 - (iv) Cost of road tax for a new motor vehicle:
.....
 - (v) Interest paid on loan from the bank: [5]

[Total: 22 marks]

2 (a) (i) Mention any **two** types of ledgers.

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

(ii) Define the following terms:

1 Nominal Accounts;

.....
.....
..... [1]

2 Real Accounts.

.....
.....
..... [1]

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(b) B. Mwansa is a customer of Patel and Sons Wholesalers. You are required to prepare B. Mwansa's Account as it would appear in Patel and Sons Wholesalers' books for the month of January 2022. Pay attention to details.

2022

- Jan 1 B. Mwansa owed Patel and Sons Wholesalers K28 000.00.
- Jan 5 Patel and Sons wholesalers supplied to B. Mwansa goods on credit worth K9 000.00 subject to 10% Trade Discount.
- Jan 12 P. Mwansa paid Patel and Sons by cheque the amount owing on 1 January less 5% discount.
- Jan 18 Part of the goods supplied on 5 January worth K1 000.00 were returned to Patel and Sons Wholesalers.

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- (c) State the most likely cause of depreciation for the following non-current assets.
- (i) Patents and Leases; [1]
 - (ii) Livestock; [1]
 - (iii) Machinery. [1]

(d) On 1 January 2020 W. Chiyanda bought **two** machines from Barlow World Limited on credit at the cost of K40 000.00 each.

He charges depreciation at the rate of 20% using Straight Line Method. His policy is to charge full year's depreciation in the year of acquisition and no charge in the year of disposal. He bought another machine on 3 March 2021 by cash worth K60 000.00. On 1 October 2021, he disposed off the first two machines at K60 000.00 by cheque.

Required: Prepare Chiyanda's:

- (i) Machinery Account;
- (ii) Machinery Disposal Account.

(i)

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(ii)

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[3]

[Total: 22 marks]

M. Tumelo
Cash Book (Bank column only)

Date	Details	F	Dr		Cr	
			K	N	K	N
2022						
Aug 1	Balance					
Aug 6	L. Mule	b/d			12 990	00
Aug 16	K.D.M				305	00
Aug 20	Southern Water Company		610	00		
Aug 22	Ira M.		800	00		
Aug 25	B. Phiri		835	00		
Aug 30	T. Mbewe				520	00
Aug 31	Balance				2 450	00
		c/d	14 020	00		
			16 265	00	16 265	00

Required:

- (a) Revise the Cash Book and bring it up to date;
- (b) Draw up the Bank Reconciliation Statement with the correct heading.

(iii)(a)

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(iii)(b)

[3]

[Total: 22 marks]

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(b) Average Stock

(c) Gross Profit

[2]

(d) Gross Profit Mark-up

[2]

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(e) Gross Profit Margin

[2]

(f) The Rate of Stock Turnover

[2]

[3]

[Total: 22 marks]

[Turn over

2 0 2 4

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SECTION B

There are **two (2)** questions in this Section, **4(a)** and **4(b)**. Answer only **one** question from this Section in the separate **Answer Booklet** provided. Answer either **4(a)** or **4(b)** **not** both.

Either

- 4 (a)** D. Makwaza a sole trader, does not keep a full set of books of accounts. However, the following details were available on 1 January 2022:

	K	N
Land and Buildings (at cost)	60 000.00	
Machinery (cost K22 500.00)	18 000.00	
Stock	28 100.00	
Debtors	23 800.00	
Creditors	19 700.00	
General Expenses accrued		200.00

He also had a summary of Receipts and Payments for the year as follows:

Receipts

	K	N
Balance b/f (on 1 January 2022)	12 700.00	
Receipts from Debtors	331 600.00	
Cash Sales	12 000.00	

Payments

	K	N
Payments to Creditors	249 400.00	
General Expenses	19 620.00	
Drawings	38 400.00	
Wages and Salaries	40 000.00	
Rates	3 800.00	
Insurance	1 900.00	
Machinery	8 000.00	

During the year ended 31 December 2022, Makwaza took goods costing K4 000.00 for his own use. On 31 December 2022; Machinery should be depreciated by 10% on cost. Create a provision for bad and doubtful debts at 2½% of the remaining debtors.

The following details were also available on 31 December 2022: Land and Buildings K60 000.00, Stock K29 800.00, Creditors K20 200.00, Debtors k26 800.00 and General Expenses prepaid K340.00.

Required:

- (i) Draw up a statement of affairs as at 1 January 2022; [4½]
(ii) Calculate sales and purchases for the year; [7½]
(iii) Prepare the Trading, Profit and Loss Account for the year; [11]
(iv) Prepare the Balance Sheet. [11]

[Total: 34 marks]

Or

- 4 (b) The following information has been extracted from the books of S. Panga Manufacturing Company for the year ended 31 December 2022:

	K	N
Stocks as at 1 January 2022		
Raw Materials		
Work in Progress	7 000.00	
Finished goods	5 000.00	
Purchases of Raw Materials	6 900.00	
Direct Labour	38 000.00	
	28 000.00	
Factory overheads:		
Fixed		1 600.00
Variable		9 000.00
Administration Expenses:		
Rent and Rates	19 000.00	
Heat and Light	6 000.00	
Stationery and Postage	2 000.00	
Staff salaries	19 380.00	
Sales	192 000.00	
Plant and Machinery (at cost)	30 000.00	
Provision for Depreciation of Machinery	12 000.00	
Motor Vehicles (for sales delivery) at cost	16 000.00	
Provision for Depreciation of Motor Vehicles	4 000.00	
Creditors	6 880.00	
Debtors	28 000.00	
Drawings	11 500.00	
Balance at bank (Dr)	16 600.00	
Capital at 1 January 2022	48 000.00	
Motor vehicles running costs	4 500.00	

Additional information:

- (1) Stocks: Raw Materials K9 000.00.
Work in progress K8 000.00.
Finished goods K8 280.00.
- (2) The finished goods are transferred to the Trading Account at the factory cost plus 25% for factory profit.
- (3) Depreciation is provided annually on cost as follows:
Plant and machinery 10%
Motor Vehicles 25%

[Turn over

