



05101254



Centre Number				Examination Number									

**EXAMINATIONS COUNCIL OF ZAMBIA**  
**Examination for General Certificate of Education Ordinary Level**



# Principles of Accounts

7110/2

Paper 2

Thursday

3 AUGUST 2023

Additional materials:

Answer Booklet

Time: 2 hours

Marks: 100

### Instructions to Candidates

1. Write the centre number and your examination number on every page of this paper and on the separate Answer Booklet provided.

2. There are two sections in this paper; Section A and B.

3. For Section A:

(i) Answer all questions in the spaces provided in the question paper.

(ii) 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.

4. For Section B: Answer only one question either 4A or 4B on the separate Answer Booklet provided. 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

1. The number of marks is given in brackets [ ] at the end of each question or part question.

2. Non Programmable Calculators may be used.

3. You are given five minutes to read through the paper before you begin writing.

4. Cell phones are not allowed in the examination room.

### For Examiner's Use Only

Section	Question	Mark Obtained	Examiner's Initials
A	1		
	2		
	3		
B	4		
	<b>Total</b>		



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1 (b)


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[6]

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- (c) The following list of balances were extracted from the books of T C Bakery. You are required to prepare a Trial Balance on 30 October 2020 with its correct heading.

	<b>K</b>	<b>N</b>
Gross Profit	122 800.00	
Sundry Expenses	84 640.00	
Debtors	26 500.00	
Bank	9 000.00	
Stock 01/11/2019	14 700.00	
Cash	2 100.00	
Premises	90 000.00	
Drawings	16 600.00	
Bad Debts	2 500.00	
Capital	103 040.00	
Bank Overdraft	8 200.00	
Creditors	22 500.00	
Provision for Doubtful Debts	1 900.00	
Stock 31/12/2020	12 400.00	

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1 (c)


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(7)

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(d) What do you understand by the terms Capital Expenditure and Revenue Expenditure? Give **two** examples of Capital Expenditure and one example of Revenue Expenditure.

(i) Capital Expenditure .....

.....

.....

.....

.....

.....

(ii) Revenue Expenditure .....

.....

.....

..... [5]

[Total: 22 marks]

2 (a) State whether each of the following statements is True or False.

- (i) The ledger is a book of original entry.
- (ii) A cash withdrawal from the business by the trader should be credited to drawings account.
- (iii) When the debit side of an account is greater than the credit side, the account shows a debit balance.
- (iv) Real account always shows a debit balance.

(i) .....

(ii) .....

(iii) .....

(iv) ..... [4]

(b) Fufuza Cultural Group charges K200.00 as Annual Subscription to its members. Members are allowed to accrue their subscriptions and pay in advance.

On 1 January 2020, 10 members had not yet paid their subscriptions for the year 2019. In December 2019, 4 members paid K800.00 for the year 2020, during the year 2020 the group received K145 200.00 in cash for subscriptions.

For 2019	K 4 000.00
2020	K138 400.00
2021	<u>K 2 800.00</u>
	<u>K145 200.00</u>

As at December 2020, 5 members had not paid their 2020 subscriptions. You are required to prepare Fufuza Cultural Group's Subscriptions Account.





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**EITHER**

**3A** M. Chilombo prepared a Trial Balance on 31<sup>st</sup> August 2020. The Trial Balance did not agree. She opened a Suspense Account. Upon investigations from the books of accounts, she found the following errors:-

- 1 Motor van expenses K1 500.00 had been debited in the Bank Account and credited to the Motor Van Expenses account.
- 2 Salaries and Wages K2 400.00 had been debited in the Drawings Account.
- 3 Goods returned to Tabu Suppliers K1 785.00 had been wrongly recorded in the Returns Outwards Journal as K885.00.
- 4 Discount received total in the Cash Book K204.00 had not been entered in the Discount Received Account.
- 5 Commission Received K375.00 had been entered in the Commission Received Account as K735.00.

**Required:**

(i) Mention the type of errors in 1 and 2.

.....  
 .....

[2]



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(iii) Prepare the Suspense Account after the correction of errors.


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[4]

(iv) Liyanda Jakopo's Bank account in the cash book had the following transactions for the month of November 2020.

**Cash Book (Bank Account)**

Date	Details	F	DR		Date	Details		CR	
			K	N				K	N
Nov 1	Balance	b/d	12 000	00	Nov 3	Liyanda		1 800	00
12	Champuta		4 500	50	19	Sinkala		5 400	50
24	Kalandanya		1 200	90	22	Dimuna		21 000	90
29	Luumbula		21 500	00	30	Balance	c/d	11 000	00
			39 201	40				39 201	40

The Bank Statement received for the same month of November 2020 revealed the following details recorded by the bank.





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OR

3B (i) The following information was obtained from the books of K. Chyaze.

		K	N
2020			
June 1	Debtors balance	7 190	00
	Creditors balance	4 120	00
June 30	Credit sales' for the month	46 300	00
	Credit purchases	29 900	00
	Cash purchases	14 360	00
	Cash sales	29 750	00
	Sales returns	1 070	00
	Purchases returns	940	00
	Cheques received from Debtors	38 900	00
	Cheques paid to Creditors	28 100	00
	Discount Allowed	1 060	00
	Discount Received	760	00
	Contra of sales and purchases		
	Ledger balance	90	00
	Interest charged to customers on delayed accounts	400	00
	Interest charged by suppliers on unpaid accounts	100	00

**Required:**

Prepare the Sales Ledger Control Account only using the above information.





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(d) Working capital ratio (current ratio)

[3]

(e) Creditors/purchases ratio

[2]

[Total: 22 marks]

**Section B**

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

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**Either**

**4 (a)** Choolwe and Bwale are in partnership in a small business. They share profits and losses in the ratios 3:1 respectively. The following balances were extracted from their partnership books on 31 December 2020.

Capital accounts 1/1/2020:	K	N
Choolwe	100 000.00	
Bwale	40 000.00	
Drawings: Choolwe	17 500.00	
Bwale	12 500.00	
Current Accounts: Choolwe	5 000.00	Cr
Bwale	3 000.00	Cr
Debtors	45 200.00	
Creditors	54 200.25	
Warehouse Wages	32 000.00	
Office Salaries	15 000.00	
Stock 1/1/2020	63 340.00	
Purchases	104 720.00	
Sales	222 320.75	
Returns inwards	3 610.00	
Returns outward	5 470.25	
Bank	26 410.00	



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Or

4B Tumani Tennis Club begins its social year on 1 January, 2020, the Treasurer provided a list of items at the start of the year as follows:

	K	N
Bank Balance	304 000.00	
Sports Equipment	400 000.00	
Club House	15 000 000.00	
Land	2 000 000.00	

At the end of the social year, 31 December 2020, the Treasurer prepared the club's Receipts and Payments Account as follows:

Receipts and Payments Account for the period ended 31 December 2020.

<u>Receipts</u>	K	N	<u>Payments</u>	K	N
Bank balance b/f	304 000	00	Sports equipment	108 000	00
Subscriptions	400 000	00	Tennis balls	30 000	00
Subscription in advance	55 000	00	Hire of courts	230 000	00
Refreshment sales	91 000	00	Light and Heat	35 000	00
Dance tickets	25 000	00	General expenses	140 000	00
Tournament fees	72 000	00	Refreshment Purchases	60 000	00
Donations	30 000	00	Club House improvements	350 000	00
			Bank balance c/d	24 000	00
	<u>977 000</u>	<u>00</u>		<u>977 000</u>	<u>00</u>

The following information was available on 31 December 2020 and was to be taken into account before preparing the Club's Financial Statements.

- (1) Stock of refreshments K27 000.00
- (2) Subscriptions owing K150 000.00
- (3) Electricity bill owing K35 000.00
- (4) Sports equipment to be depreciated by K58 000.00
- (5) Bill for refreshment purchases was due K12 000.00

**Required:**

- |  |       |
|--|-------|
| (i) Accumulated Fund at 1/01/2020                | [3½]  |
| (ii) Refreshment Trading Account for the year    | [4½]  |
| (iii) Subscription Account                       | [3]   |
| (iv) Income and Expenditure Account for the year | [8½]  |
| (v) Balance sheet at the end of the year.        | [14½] |

**[Total: 34 marks]**

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