

Centre Number	Candidate Number

Candidate Name _____



EXAMINATIONS COUNCIL OF ZAMBIA

Examination for School Certificate Ordinary Level

Principles of Accounts

7110/2

Paper 2

Thursday

21 NOVEMBER 2019

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

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

1 (a) For each of the following source documents, name the book of original entry.

- (i) Duplicate Invoice
- (ii) Original Credit Note.
- (iii) Petty Cash Voucher
- (iv) Receipt

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

[4]

(b) Prepare Kinason's Cash Book for the last week of December 2016 from the following details:
2016

December 21 Balances brought forward:

Cash in hand K2 500.00 Bank overdraft K3 000.00

Debtor: Kabinda M K4 000.00, Creditor: Mumba G. K7 000.00

December 22 Kabinda M paid her account owing by cheque less 5% cash discount

24 Paid Mumba G the amount due to him by cheque less 5% cash discount

29 Cash sales for the week K3 000.00 (K2 500.00 banked directly)

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[6]

- (c) From the following details of Sambany and Company Ltd. **You are required** to prepare a Trial Balance as at 31 January 2017 after making the correction of the omission shown.

	K	N
Capital	18 240.00	
Bank overdraft	3 000.00	
Fixtures and Fittings	14 100.00	
Provision for Depreciation of Fixtures and Fittings	8 800.00	
Inventory (01/01/17)	14 820.00	
Accounts Receivable	12 000.00	
Accounts Payable	9 160.00	
Sales	110 000.00	
Purchases	51 000.00	
Sundry Expenses	55 000.00	
Commission Paid	2 280.00	

Rent of K5000 paid by cheque was not recorded anywhere.

(c)

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[7 marks]

(d) For the business of Mutoba J. Wholesale chemist, classify the following as either "Capital" or "Revenue" Expenditure.

- (i) Purchase of new Building.
- (ii) Payment of Fire Insurance Premium.
- (iii) Carriage cost on bricks for warehouse extension.
- (iv) Payment to contractor for a new business office.
- (v) Cost of rebuilding warehouse wall which had fallen down.

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

[5]

[Total: 22 marks]

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2 (a) Classify the following into: Real, Personal and Nominal Accounts.

- (i) Drawings
- (ii) C. Kambwili
- (iii) Sales
- (iv) Discount Received
- (v) Rent
- (vi) Interest paid
- (vii) Furniture and Equipment
- (viii) Shonga Steel Ltd

[4]

- (i)
- (ii)
- (iii)
- (iv)
- (v)
- (vi)
- (vii)
- (viii)

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(b) R. Chikwama was a customer of B. M. Nachihulu. **You are required to** record the following transactions in B. M. Nchihulu's appropriate Ledger paying attention to details and dates.

2017

- Feb 5 Goods supplied to Chikwama K6 000.00 less 20% Trade discount
- Feb 20 Paid balance owed by cheque less 5% cash discount
- March 1 Chikwama cheque was returned unpaid due to lack of funds.
- May 28 Chikwama sent a cheque for K3 000.00 and a letter explaining that she still had financial problems.
- Sept 30 Nachihulu received a letter that Chikwama was insolvent and decided to write off the unpaid amount as a Bad Debt.

[8]

2 (b)

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- (c) Define the term depreciation and state one of its causes

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[3]

- (d) Bulaya bought two machines on credit from Equipment World Ltd at K80 000.00 each on 1 January 2016. The machines are to be depreciated by Straight Line Method at the rate of 20% of cost. On 31 December 2017 one of the Machines was sold for cash K40 000.00 after the second year's depreciation.

You are required to prepare:

- (i) Machinery Account for 2016 and 2017
(ii) Provision for Machinery Depreciation Account for the two years 2016 and 2017

[3]

[4]

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[Total: 22 marks]

(d) (i)

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(ii)

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[Total: 22 marks]

[Turn over

- 3 (a) The following information relating to sales and Debtors was extracted from the books of a firm for the month of May 2016.

	K N
Total Debtors at 1 May 2016	21 000.00
Cash Sales during the month	35 500.00
Credit Sales	129 000.00
Total Receipts from credit customers	50 700.00
Discount Allowed from credit customers	5 400.00
Interest on overdue Accounts	400.00
Bad Debts written off	4 800.00
Delivery Charges on customers	600.00
Increase in the Provision for Bad Debts	5 800.00
Sales Returns	2 400.00
Purchases returns	3 000.00
Dishonored cheques from customers	1 000.00
Debit balance in the Sales Ledger set off against	
Balance in the Purchases Ledger	900 .00
Sales ledger credit balance at 31 may 2016,	1 100.00

Using the appropriate balances and information above **prepare** the Sales Ledger Control Account in the General Ledger for May 2016. [8]

3 (a)

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(b) (i) Describe **two** ways in which the business of a sole trader can increase the Working Capital.

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[4]

- (ii) The following information relates to the business of Kalubemba for the year ended 31 December 2016.

	K	N
Sales	169 000.00	
Sales Returns	6 500.00	
Stock at 1 January 2016	9 500.00	

Gross Profit is at the rate of 40% on net sales. Net profit is at the rate of 25% on net sales. Rate of Stock Turnover is 10 times.

Required:

- (i) The year's net Turnover [2]
- (ii) The Gross Profit [2]
- (iii) The Cost of goods sold. [2]
- (iv) The Net Profit [2]
- (v) The expenses of running the business charged to the Profit and Loss Account. [2]

3 (b) (ii)

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[Total: 22 marks]

[Turn over

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) The following list of balances was extracted from the books of Fyumbu at the close of business on 31 March 2017.

	K	N
Purchases	90 000.00	
Sales	191 200.00	
Cash at Bank	23 000.00	
Cash in hand	8 500.00	
Capital Account 1 April 2016	134 700.00	
Drawings	7 200.00	
Office Furniture	70 000.00	
Provision for Depreciation of Office Furniture	2 000.00	
Rent	10 000.00	
Wages and Salaries	14 000.00	
Discount Received	4 000.00	
Discount Allowed	10 000.00	
Debtors	34 000.00	
Creditors	16 000.00	
Inventory 1 April 2016	21 000.00	
Provision for Doubtful Debts	1 800.00	
Motor Vehicle	50 000.00	
Motor Expenses	9 400.00	
Provision for Depreciation of Motor Vehicles	3 000.00	
Bad Debts	5 600.00	

Notes

- (i) Stock at 31st March 2017 K15 500.00
- (ii) Wages and Salaries accrued K6 000.00
- (iii) Rent prepaid K2 000.00
- (iv) Motor Expenses owing K1 600.00
- (v) Adjust provision for Bad Debts to 4% of Debtors.
- (vi) Provide for depreciation as follows: Office Furniture 6% of cost, Motor vehicle 7% of cost
- (vii) Fyumbu withdrew cash from Bank K2 800.00 for own use but no record had been made in the books.

(viii) A purchase invoice of K5 000.00 was completely omitted from the books

You are required to prepare:

- (i) Trading and Profit and Loss Account showing cost of goods sold for the year ended 31 March 2017 [16]
- (ii) The Balance Sheet as at 31 March 2017 [18]

[Total: 34 marks]

OR

- 4 (b)** J. Katwishi is a Manufacturer of children's Toys and the following balances were extracted from his books on 31st December 2017

	K	N
Motor Vehicle Expenses	880.00	
Electricity:		
Factory	3 610.00	
Office	745.00	
Royalties	6 050.00	
Factory Wages	30 000.00	
Sundry Expenses:		
Factory	4 050.00	
Office	970.00	
Advertising	5 844.00	
Purchase of Raw material	28 605.00	
Rent and Rates:		
Factory	3 050.00	
Office	1 350.00	
Plant and Machinery	14 300.00	
Office equipment at cost	4 100.00	
Office Salaries	8 870.00	
Accounts Receivable	17 100.00	
Accounts Payable	4 700.00	
Cash at Bank	8 071.00	
Sales	97 400.00	
Motor Vehicles at cost	3 100.00	
Inventory at 31st December 2016		
Finished goods	6 630.00	
Raw Material	20 650.00	
Drawings	12 100.00	
Capital	77 975.00	

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Additional information

(a) Inventory at 31st December 2017:

Raw materials 7 255.00

Finished goods 22 245.00

(b) Depreciation is charged as follows:

Machinery K1 500.00, Office equipment K300.00 Motor Vehicles K600.00

(c) Royalties unpaid at 31 December 2017 K275.00 and office rent prepaid K70.

You are required to prepare:

(i) The Manufacturing Account for the year ending 31 December 2017.

[10½]

(ii) The Trading and Profit and Loss Account for the year ending 31st December 2017.

[10]

(iii) The Balance Sheet as at 31 December 2017.

[13½]

[Total: 34 marks]