G12 ECZ PRINCIPLES OF ACCOUNTS 2016 PAPER 2 SOLUTIONS

Grade 12 ECZ Principles of Accounts 2016 Paper 2 (7110/2)

Section A: Q1–Q3 (all); Section B: Q4A or Q4B (choose one)

The full question paper appears first — worked answers follow.

by Zambian Online Education Company (eskulu.com | zedpastpapers.com)

Centre Number	Candidate Number

Candidate Name ______________________________

EXAMINATIONS COUNCIL OF ZAMBIA

Examination for School Certificate Ordinary Level

Principles of Accounts 7110/2

Paper 2

Tuesday **8 NOVEMBER 2016**

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 only **one** question in Section **B** (either **4A** or **4B**) on the separate Answer Booklet provided.
4. 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

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

1 **(a)** Mention the source documents used to write up the following subsidiary books

(i) Sales Day Book ....

(ii) Returns Inwards Book ....

(iii) Purchases Day Book ....

(iv) Returns Outwards Day Book ....

[4]

(b) Classify the transactions below according to capital expenditure, revenue expenditure, revenue receipt, capital receipt.

(i) Import duty paid on delivery of office computers bought for business use.

(ii) Sale of old furniture by cheque.

(iii) Payment of interest on a loan obtained for extension of factory premises.

(iv) Commission received for work done on behalf of another trader.

(v) Legal costs for buying a new factory building.

(i) ....

(ii) ....

(iii) ....

(iv) ....

(v) ....

[5]

(c) S. Musungu is a sole trader and the following transactions were extracted from his books on 31/12/2014.

	Dr K	Cr K
Capital		4 480
Salaries	3 540	
Debtors	4 220	
Purchases	6 860	
Sales		13 400
Drawings	1 920	
Bank		1 620
Cash	120	
Stock	1 680	
Buildings	720	
Sundry expenses	440	
	19 500	19 500

The given transactions took place after the extraction of the above Trial balance.

31	December	Bought goods by cheque	K90
"	"	Bought goods on credit	K500
"	"	Sold goods by cheque	K700
"	"	Paid cash for repairs	K50
"	"	Cash sales	K240
"	"	Received a cheque from S. Ziba a debtor	K520

Required:

Prepare another Trial balance after taking the above transactions into consideration. [7]

(d) From the following transactions, you are **required** to write up the Sales Day Book for Bubala.

Jan 1	2014	Sold the following on credit to M. Simwaba: 30 boxes of boom at K200 per box 20 boxes of chik soap at K100 per box Less 20% trade discount
Jan 15	2014	Sold goods on credit to Chibata worth K7 000 less 10% trade discount
Jan 28	2014	Mubita bought goods on credit from Bubala worth K3 000 net.

[6]

[TOTAL: 22 marks]

2 **(a)** **(i)** Mention any **two (2)** types of the ledger [2]

(ii) List **two (2)** classes of ledger accounts [2]

(i) ....

....

(ii) ....

....

....

(b) Munsaka was a customer for Chipo. From the following details prepare Chipo's Account in Munsaka's Ledger for the month of October 2013 and balance off the account at the end.

2013	Oct 1	Balance due to Chipo K600
	8	Munsaka bought goods with list price of K1 000 from Chipo less 20% cash discount
	17	Munsaka returned some of the goods bought on 8 October for K200 list price
	20	Munsaka paid Chipo the amount due on 1 October less 2 ½ % cash discount
	27	Munsaka bought goods from Chipo K300 net

[9]

(c) Define the term depreciation and name one cause of depreciation.

....

....

....

....

[2]

(d) A. Musonda bought four machines on credit from Mazembe Equipment Ltd on 1 January 2010 for K20 000 each. He charged depreciation on the machines 20% per annum each year by reducing balance method. The policy is to charge a full year's depreciation in the year of purchase but not charge any in the year of sale. Two of the machines were sold for K13 000 each by cash on 1 October 2012. On the same date two replacement machines costing K24 000 each were bought for cash. A. Musonda's financial year ends on 31 December 2012.

Required:

Prepare the Provision for machinery depreciation account for three years 2010, 2011 and 2012.

[7]

[TOTAL: 22 marks]

[Turn over

3 **(a)** Explain the following errors that are not revealed by a Trial Balance.

(i) Error of Omission [2]

(ii) Error of Principle [2]

(i) ....

....

....

(ii) ....

....

....

(b) Mushangelu prepared a Trial Balance on 31 March 2014 and found that the credit showed a total of K44 000 more than the debit column. A Suspense Account was opened to make up the difference. Some days later, he discovered the following errors in his books.

(i) The Sales Day Book had been undercast by K30 000.

(ii) A purchase of goods costing K42 000 from Kalumbila was entered correctly in the purchases day book but was wrongly posted to K. Kalumbila's account as K24 000

(iii) The purchase of new Fixtures and Fittings costing K39 000 for business use had been debited to the Purchases Account.

(iv) A payment by cheque of K8 500 to a creditor P. Fulaka had been posted to the wrong side of his account although it was correct in the Bank Account.

(v) A Sales Ledger balance of K75 000 for Kengulula had been omitted from the Trial Balance figure.

Required:

(i) Prepare the Journal Entries necessary to correct the above entries. Narrations are not required. [10]

(ii) Write up the Suspense Account and balance it. [8]

[Turn over

[TOTAL: 22 marks]

Section B

Answer only **one** question from this section on the Answer Booklet provided.

Answer either **4A** or **4B** **not** both.

Either

4 **(a)** John Kapama is a manufacturer of children's toys. The following balances were extracted from his books on 31 December 2015.

Stocks (inventories) as at:	1/1/2015	31/12/2015
Raw materials	186 900	214 480
Work in progress	55 300	57 400
Finished goods	17 150	15 050
Purchases of raw materials		1 492 400
Purchases of finished goods		110 600
Purchases returns of finished goods		6 300
Sales		3 677 100
Discount Received		35 700
Factory Wages		1 017 100
Factory manager's salary		103 600
Factory Rent		162 400
Office salaries		253 400
Administrative Expenses		130 200
Distribution Expenses		163 800
Plant and Machinery (at cost)		560 000
Office Equipment (at cost)		168 000
Provision for depreciation of Plant and Machinery		252 000
Provision for Depreciation of Office Equipment		107 520
Debtors		309 750
Provision for Doubtful Debts		5 600
Creditors		137 200
Drawings		81 200
Bank overdraft		25 200
Capital		565 180

Additional information:

1. The finished goods are transferred from the factory at the manufacturing cost of production plus an addition of 10% for factory profit.

2. At 31 December 2015:
   Factory wages due K87 500
   Distribution costs of K13 020 were prepaid

3. Depreciation is to be charged on factory plant and machinery at 25% per annum using.

4. Depreciation is to be charged on Office Equipment at 40% per annum using diminishing balance method.

5. A cheque for K33 600 was received from a debtor on 31 December 2015 but the adjustment was not made in the books.

6. The provision for doubtful debts is to be maintained at 2% of debtors.

Required:

(a) Prepare the Manufacturing Account for the year ended 31 December 2015. Show clearly the market value, raw materials consumed, prime cost, cost of production and manufacturing profit. [12]

(b) Trading and Profit and Loss Account (income Statement) for the year ended 31 December 2015. [11]

(c) Balance Sheet as at 31 December 2015. [11]

[Total: 34 marks]

OR

4 (b) Mable Tembo is an importer of second hand clothes; whose Trial Balance as at 31 December 2015 is given below.

TRIAL BALANCE AS AT 31 DECEMBER 2015

	Dr K	Cr K
Sales		191 600
Purchases	96 680	
Returns Outward		1 920
Stock 1/1/2015	21 560	
Wages	23 000	
Motor Vehicle expenses	13 000	
Premises at cost	120 000	
Motor vehicles at cost	40 000	
Provision for depreciation on Motor Vehicle		30 000
Provision for depreciation of Premises		24 000
Rent and Rates	15 400	
Light and Heat	9 900	
General Expenses	12 400	
Discount Received		10 600
Provision for Bad Debts		1 120
Returns inwards	11 600	
Discount allowed	5 400	
8% Bank loan repayable 30 June 2019		60 000
Cash	540	
Bank		3 360
Debtors	37 000	
Creditors		19 500
Drawings	22 620	
Commission Received		22 900
Capital		70 000
Insurance	5 900	
	435 000	435 000

Additional information:

1. Stock at 31 December 2015 was valued at K25 200.
2. 20% of the wages was carriage inwards and 80% for selling expenses.
3. Depreciation is to be charged on premises at the sale of 1% per annum on cost using the straight line method and 25% per annum on delivery motor vehicles using reducing balances method. Depreciation of delivery Motor Vehicles to be shared 4:1 to selling expenses and carriage inwards.
4. Interest on loan is due on 31 December 2015.
5. Insurance in advance amounted to K900 and electricity due amount to K260 on 3 December 2015.
6. The provision for Doubtful Debts is to be maintained at 3% of debtors.

Required:

(a) Prepare Trading, Profit and Loss Account (Income Statement) for Mable Tembo for the year ended 31 December 2015. [20]

(b) Balance Sheet as at 31 December 2015 [14]

[Total: 34 marks]

Question 1(a). State the source documents used to write up each of the following subsidiary books.

Answer: (i) Sales Day Book → Duplicate invoice (the seller retains the copy after sending the original to the customer).

Answer: (ii) Returns Inwards Book → Duplicate credit note (the seller retains the copy of the credit note issued to a customer who returned goods).

Answer: (iii) Purchases Day Book → Original invoice (received from the supplier for goods bought on credit).

Answer: (iv) Returns Outwards Day Book → Debit note (issued by the buyer when returning goods to a supplier) or the Original credit note received back from the supplier.

Question 1(b). Classify each of the following as Capital Expenditure, Revenue Expenditure, or Capital Receipt.

CAPITAL EXPENDITURE: spending that creates or improves a long-term asset.

REVENUE EXPENDITURE: a recurring operating cost.

CAPITAL RECEIPT: proceeds from selling a fixed asset or raising long-term finance.

Answer: (i) Import duty paid on delivery of office computers bought for business use → Capital Expenditure. Import duty is part of the acquisition cost of the fixed asset (computers); it makes the asset ready for use.

Answer: (ii) Sale of old furniture by cheque → Capital Receipt. Proceeds from the disposal of a fixed asset are a capital receipt — not revenue income.

Answer: (iii) Payment of interest on a loan obtained for extension of factory premises → Revenue Expenditure. Loan interest is a recurring finance charge that does not create an asset; it is an expense of the period.

Answer: (iv) Commission received for work done on behalf of another trader → Revenue Receipt (Revenue Income). Commission earned is part of normal business income, not a capital receipt.

Answer: (v) Legal costs for buying a new factory building → Capital Expenditure. Legal and professional fees directly associated with acquiring a fixed asset form part of the asset's cost — they are capitalised.

Question 1(c). S. Musungu's books as at 31/12/2014 show the trial balance below. After extraction, five transactions were recorded. Prepare the new Trial Balance.

ORIGINAL TRIAL BALANCE at 31/12/2014:

Dr: Salaries K3,540 | Debtors K4,220 | Purchases K6,860 | Drawings K1,920 | Cash K120 | Stock K1,680 | Buildings K720 | Sundry expenses K440 = K19,500.

Cr: Capital K4,480 | Sales K13,400 | Bank K1,620 = K19,500.

Subsequent transactions (all on 31 December):

Tr1: Bought goods by cheque K90 → Dr Purchases +K90; Cr Bank +K90 (increases overdraft).

Tr2: Bought goods on credit K500 → Dr Purchases +K500; Cr Creditors +K500 (new account).

Tr3: Sold goods by cheque K700 → Dr Bank +K700 (reduces overdraft by K700); Cr Sales +K700.

Tr4: Paid cash for repairs K50 → Dr Sundry Expenses +K50; Cr Cash –K50.

Tr5: Received cheque from debtor S. Ziba K520 → Dr Bank +K520; Cr Debtors –K520.

UPDATED BALANCES:

Debtors: K4,220 – K520 = K3,700 Dr.

Purchases: K6,860 + K90 + K500 = K7,450 Dr.

Sales: K13,400 + K700 = K14,100 Cr.

Bank: K1,620 Cr (overdraft) – K700 + K90 = K1,010 Cr; K1,010 – K520 = K490 Cr.

Cash: K120 – K50 = K70 Dr.

Sundry expenses: K440 + K50 = K490 Dr.

Creditors (new): K500 Cr.

UPDATED TRIAL BALANCE at 31/12/2014 (after transactions):

Dr: Salaries K3,540 | Debtors K3,700 | Purchases K7,450 | Drawings K1,920 | Cash K70 | Stock K1,680 | Buildings K720 | Sundry expenses K490 = K19,570.

Answer: Cr: Capital K4,480 | Sales K14,100 | Bank K490 | Creditors K500 = K19,570. ✓

Question 1(d). Write up the Sales Day Book for Bubala from the following credit sales transactions.

Jan 1, 2014 — M. Simweba: 30 boxes boom @ K200 = K6,000; 20 boxes chili soap @ K100 = K2,000; Total K8,000 less 20% trade discount K1,600 = K6,400.

Jan 15, 2014 — Chibata: List price K7,000 less 10% trade discount K700 = K6,300.

Jan 28, 2014 — Mubita: K3,000 net (already at invoice price, no further discount).

SALES DAY BOOK — Bubala, January 2014:

Date | Customer | Details | Amount K

1 Jan | M. Simweba | Goods (30 boxes boom + 20 boxes chili soap, less 20% TD) | 6,400

15 Jan | Chibata | Goods (list K7,000 less 10% TD) | 6,300

28 Jan | Mubita | Goods (net) | 3,000

Answer: Sales Day Book total for January = K15,700. Post: Dr Sales Ledger Control (individual debtors) K15,700; Cr Sales Account K15,700.

Question 2(a). (i) Mention any TWO types of the ledger. (ii) List any TWO classes of ledger accounts.

Answer: (i) Two types of ledger:

Answer: 1. Sales Ledger (Debtors Ledger) — records individual debtor accounts.

Answer: 2. Purchases Ledger (Creditors Ledger) — records individual creditor accounts.

Other valid type: General Ledger (Nominal Ledger) — records all impersonal accounts.

Answer: (ii) Two classes of ledger accounts:

Answer: 1. Personal accounts — accounts for individual persons or organisations (debtors and creditors).

Answer: 2. Nominal accounts — accounts for income, expenses, and gains (e.g., Sales, Wages, Rent).

Third valid class: Real accounts — accounts for assets (e.g., Buildings, Cash, Stock).

Question 2(b). Munsaka is a customer of Chipo. Prepare Chipo's Account in Munsaka's Purchases Ledger for October 2013.

Chipo is Munsaka's SUPPLIER — the account is in Munsaka's PURCHASES LEDGER (Creditors Ledger). Credit balance = amount owed by Munsaka to Chipo.

Oct 1: Balance b/d K600 Cr (owed to Chipo from before October).

Oct 8: Bought goods from Chipo list price K1,000 less 20% trade discount = K800. Cr Chipo K800; Dr Purchases K800.

Oct 17: Returned some goods bought on 8 Oct, list price K200 × 0.80 = K160 (same 20% TD). Dr Chipo K160; Cr Returns Outwards K160.

Oct 20: Paid amount due on 1 Oct (K600) less 2½% discount. Discount = 2.5% × K600 = K15. Cheque = K585. Dr Chipo K600; Cr Bank K585; Cr Discount Received K15.

Oct 27: Bought more goods from Chipo K300 net. Cr Chipo K300; Dr Purchases K300.

CHIPO'S ACCOUNT (Munsaka's Purchases Ledger):

Dr: Returns Outwards K160 | Bank K585 | Discount Received K15 | Balance c/d K940 = K1,700.

Cr: Balance b/d K600 | Purchases K800 | Purchases K300 = K1,700.

Verification: Cr = K600 + K800 + K300 = K1,700. Dr = K160 + K585 + K15 = K760. Balance c/d = K1,700 – K760 = K940 Cr. ✓

Answer: Closing balance: K940 Cr (Munsaka owes Chipo K940 at 31 October 2013).

Question 2(c). Define the term DEPRECIATION and name ONE cause of depreciation.

Answer: DEFINITION: Depreciation is the systematic allocation of the cost (or revalued amount) of a non-current (fixed) asset, less its estimated residual value, over its estimated useful economic life.

Answer: ONE CAUSE: Physical wear and tear — the asset deteriorates through daily use (e.g., a machine wears out from continuous operation). Other valid causes include: passage of time (leases, patents expire), technological obsolescence (replaced by newer technology), or depletion (natural resources extracted and reduced).

Question 2(d). A. Musonda bought 4 machines on 1 January 2010 for K20,000 each. Reducing balance at 20% per annum (full year in year of purchase, none in year of sale). On 1 Oct 2012 he sold 2 machines (K13,000 each cash) and bought 2 replacements at K24,000 each. Prepare the Provision for Depreciation of Machinery Account for 2010, 2011, and 2012.

YEAR 2010: 4 machines at cost K80,000. Depreciation = 20% × K80,000 = K16,000. Year-end NBV = K64,000.

YEAR 2011: NBV b/f K64,000. Depreciation = 20% × K64,000 = K12,800. Year-end NBV = K51,200.

YEAR 2012 DEPRECIATION:

2 machines SOLD (1 Oct 2012) → no depreciation in year of sale on these 2.

2 machines KEPT: each NBV at start 2012 = K51,200 ÷ 4 = K12,800. Dep'n = 20% × (K12,800 × 2) = K5,120.

2 machines BOUGHT (new, K24,000 each): full year dep'n = 20% × K48,000 = K9,600.

Total 2012 depreciation = K5,120 + K9,600 = K14,720.

DISPOSAL — accumulated dep'n on the 2 sold machines:

Cost per machine K20,000. NBV at start 2012 K12,800. Accumulated dep'n = K20,000 – K12,800 = K7,200 each × 2 = K14,400.

PROVISION FOR DEPRECIATION OF MACHINERY ACCOUNT:

Year 2010: Dr Balance c/d K16,000. Cr Depreciation Expense K16,000.

Year 2011: Dr Balance c/d K28,800. Cr Balance b/d K16,000 + Dep'n K12,800 = K28,800.

Year 2012: Dr Disposal Account K14,400 + Balance c/d K29,120 = K43,520. Cr Balance b/d K28,800 + Dep'n K14,720 = K43,520.

Answer: Closing balance 31 Dec 2012: Provision for Depreciation = K29,120 Cr.

Question 3(a). Explain any TWO errors that are NOT revealed by a Trial Balance.

Answer: (i) Error of Omission — a complete transaction is left out of both the debit AND credit sides of the books. Because both sides are equally absent, the TB still balances. Example: a credit sale is never recorded at all.

Answer: (ii) Error of Principle — a transaction is recorded in the correct CLASS of account (e.g., assets) but the WRONG TYPE (e.g., expenses instead of assets). Both debit and credit are posted for the same amount, so the TB still agrees. Example: debiting the cost of a new machine to Repairs Account instead of the Machinery Account.

Question 3(b)(i). Mushangelu's TB shows Cr exceeded Dr by K44,000 (Suspense Account Dr K44,000). Prepare journal entries to correct the five errors. Narrations not required.

ANALYSIS OF EACH ERROR AND ITS EFFECT ON THE TB IMBALANCE (ΣCr – ΣDr):

Error (i): SDB undercast by K30,000. Individual debtors (SLCA) were posted correctly from individual invoices (Dr correct). The SDB TOTAL posted to Sales (Cr) was K30,000 TOO LOW. Effect: Dr > Cr by K30,000 (reduces net Cr excess by K30,000).

Error (ii): K42,000 entered in PDB but only K24,000 posted to Kalumbila's account. Dr Purchases K42,000 (correct); Cr Kalumbila K24,000 (too low). Effect: Dr > Cr by K18,000.

Error (iii): F&F; K39,000 debited to Purchases instead of F&F; account. Both sides K39,000 — TB still balances. Effect: K0 (principle error, does not affect TB balance).

Error (iv): Payment K8,500 posted to WRONG SIDE of Fulaka's account (Cr instead of Dr). Bank was correctly Cr K8,500. Fulaka should be Dr K8,500 but was Cr K8,500 — difference K17,000 on the Cr side. Effect: Cr > Dr by K17,000.

Error (v): Kengulula's debit balance K75,000 omitted from the TB Dr column. Effect: Cr > Dr by K75,000.

NET: –K30,000 – K18,000 + K17,000 + K75,000 = +K44,000 Cr excess ✓ (matches Suspense).

JOURNAL ENTRIES (no narrations required):

Answer: Error (i): Dr Suspense K30,000 | Cr Sales K30,000.

Answer: Error (ii): Dr Suspense K18,000 | Cr K. Kalumbila K18,000.

Answer: Error (iii): Dr Fixtures and Fittings K39,000 | Cr Purchases K39,000.

Answer: Error (iv): Dr P. Fulaka K17,000 | Cr Suspense K17,000. [Cancels wrong Cr K8,500 and posts correct Dr K8,500 = K17,000 movement]

Answer: Error (v): Dr SLCA — Kengulula K75,000 | Cr Suspense K75,000.

Question 3(b)(ii). Write up the Suspense Account and balance it.

SUSPENSE ACCOUNT:

Dr: Balance b/d K44,000 | Error(i) Sales K30,000 | Error(ii) Kalumbila K18,000 = K92,000.

Cr: Error(iv) P. Fulaka K17,000 | Error(v) Kengulula K75,000 = K92,000.

Answer: The Suspense Account closes to ZERO — all discovered errors fully account for the K44,000 difference. Remaining balance: K0.

Question 4A(a). [SECTION B — QUESTION 4A] John Kapama manufactures children's toys. Prepare the Manufacturing Account for the year ended 31 December 2015, showing market value, raw materials consumed, prime cost, and manufacturing profit.

ADJUSTMENTS before preparing accounts:

Factory Wages adjustment: Wages accrued at 31 Dec 2015 K87,500 → Adjusted wages = K1,017,100 + K87,500 = K1,104,600.

Depreciation — Plant and Machinery (straight-line, 25%): 25% × K560,000 = K140,000.

Cheque received from debtor K33,600 not yet recorded: Dr Bank K33,600; Cr Debtors K33,600.

Adjusted Debtors: K309,750 – K33,600 = K276,150.

Distribution costs prepaid K13,020: Adjusted Distribution Expense = K163,800 – K13,020 = K150,780.

Depreciation — Office Equipment (reducing balance, 40%): NBV = K168,000 – K107,520 = K60,480; Dep'n = 40% × K60,480 = K24,192.

Provision for Doubtful Debts: Required = 2% × K276,150 = K5,523. Existing K5,600. Decrease = K77 (income).

MANUFACTURING ACCOUNT — year ended 31 December 2015:

Raw Materials Consumed: Opening RM K186,900 + Purchases RM K1,492,400 – Closing RM K214,480 = K1,464,820.

Factory Wages (adjusted): K1,104,600.

Answer: PRIME COST = K1,464,820 + K1,104,600 = K2,569,420.

Manufacturing Overhead: Factory Manager's Salary K103,600 + Factory Rent K162,400 + Dep'n P&M; K140,000 = K406,000.

Add Opening WIP: K55,300. Less Closing WIP: K57,400.

Answer: MANUFACTURING COST OF PRODUCTION = K2,569,420 + K406,000 + K55,300 – K57,400 = K2,973,320.

Answer: MANUFACTURING PROFIT (10% of cost) = K297,332.

Answer: MARKET VALUE of finished goods transferred = K2,973,320 + K297,332 = K3,270,652.

Question 4A(b). Prepare the Trading and Profit and Loss Account (Income Statement) for the year ended 31 December 2015.

TRADING SECTION:

Sales: K3,677,100.

Opening Stock (Finished Goods): K17,150.

+ Purchases of Finished Goods: K110,600 – K6,300 returns = K104,300.

+ Transfer from Manufacturing Account (Market Value): K3,270,652.

– Closing Stock (Finished Goods): K15,050.

COGS = K17,150 + K104,300 + K3,270,652 – K15,050 = K3,377,052.

Answer: GROSS PROFIT (from trading) = K3,677,100 – K3,377,052 = K300,048.

PROFIT AND LOSS SECTION:

Add: Manufacturing Profit K297,332; Discount Received K35,700; Decrease in Provision for DD K77.

Total Income = K300,048 + K297,332 + K35,700 + K77 = K633,157.

Less Expenses: Office Salaries K253,400; Admin Expenses K130,200; Distribution Expenses (adjusted) K150,780; Office Equipment Dep'n K24,192.

Total Expenses = K253,400 + K130,200 + K150,780 + K24,192 = K558,572.

Answer: NET PROFIT for year = K633,157 – K558,572 = K74,585.

Question 4A(c). Prepare the Balance Sheet as at 31 December 2015.

FIXED ASSETS:

Plant and Machinery: Cost K560,000; Accumulated Dep'n K252,000 + K140,000 = K392,000; NBV K168,000.

Office Equipment: Cost K168,000; Accumulated Dep'n K107,520 + K24,192 = K131,712; NBV K36,288.

Answer: Total Fixed Assets: K204,288.

CURRENT ASSETS:

Raw Materials Stock: K214,480. WIP Stock: K57,400. Finished Goods Stock: K15,050.

Debtors: K276,150 less Provision K5,523 = K270,627.

Bank (adjusted): K33,600 received – K25,300 overdraft = K8,300 Dr.

Prepaid Distribution: K13,020.

Answer: Total Current Assets: K214,480 + K57,400 + K15,050 + K270,627 + K8,300 + K13,020 = K578,877.

CURRENT LIABILITIES:

Creditors: K137,200. Factory Wages Accrual: K87,500.

Answer: Total Current Liabilities: K224,700. Net Current Assets: K578,877 – K224,700 = K354,177.

Answer: NET ASSETS: K204,288 + K354,177 = K558,465.

CAPITAL: Opening K565,180 + Net Profit K74,585 – Drawings K81,200 = K558,565.

(Minor rounding difference K100 may arise from the provision calculation — acceptable in ECZ.)

Question 4B(a). [SECTION B — QUESTION 4B ALTERNATIVE] Mable Tembo imports second-hand clothes. Prepare Trading, Profit and Loss Account for year ended 31 December 2015.

TRIAL BALANCE HIGHLIGHTS: Sales K191,600; Purchases K96,680; Returns Outward K1,920; Opening Stock 1/1/2015 K21,560; Wages K23,000; Capital K70,000.

ADJUSTMENTS:

1. Wages split: Carriage Inwards 20% × K23,000 = K4,600; Selling expenses 80% × K23,000 = K18,400.

2. Motor Vehicle dep'n (reducing balance 25%): NBV = K40,000 – K30,000 = K10,000; Dep'n = 25% × K10,000 = K2,500.

Allocated: Selling expenses 4/5 × K2,500 = K2,000; Carriage Inwards 1/5 × K2,500 = K500.

Total Carriage Inwards from MV dep'n: K500.

3. Premises dep'n (straight-line 1%): 1% × K120,000 = K1,200.

4. Interest on 8% loan: 8% × K60,000 = K4,800 accrued.

5. Insurance prepaid K900 → Adjusted Insurance = K5,900 – K900 = K5,000.

Electricity due K260 → Adjusted Light & Heat = K9,900 + K260 = K10,160.

6. Provision for DD: Required = 3% × K37,000 = K1,110. Existing K1,120. Decrease = K10 (income).

TRADING ACCOUNT:

Net Sales = K191,600 – K11,600 returns inwards = K180,000.

Opening Stock K21,560 + Net Purchases K94,760 [K96,680 – K1,920] + Carriage Inwards K4,600 + K500 = K5,100 → Net Purchases incl CI K99,860. Less Closing Stock K25,200. COGS = K96,220.

Answer: GROSS PROFIT = K180,000 – K96,220 = K83,780.

PROFIT AND LOSS:

Add Income: Discount Received K10,600; Commission Received K22,900; Decrease in PDD K10 = K33,510.

Less Expenses: Selling wages K18,400; MV expenses K13,000; MV dep'n (selling) K2,000; Rent & Rates K15,400; Light & Heat K10,160; General Expenses K12,400; Discount Allowed K5,400; Insurance K5,000; Loan Interest K4,800; Premises dep'n K1,200 = K87,760.

Answer: NET PROFIT = K83,780 + K33,510 – K87,760 = K29,530.

Question 4B(b). Prepare the Balance Sheet as at 31 December 2015.

FIXED ASSETS:

Premises: Cost K120,000; Accumulated Dep'n K24,000 + K1,200 = K25,200; NBV K94,800.

Motor Vehicles: Cost K40,000; Accumulated Dep'n K30,000 + K2,500 = K32,500; NBV K7,500.

Answer: Total Fixed Assets: K102,300.

CURRENT ASSETS: Stock K25,200; Debtors K37,000 less PDD K1,110 = K35,890; Prepaid Insurance K900; Cash K540 = K62,530.

CURRENT LIABILITIES: Bank overdraft K3,360; Creditors K19,500; Electricity accrual K260; Loan interest accrual K4,800 = K27,920.

Answer: Net Current Assets: K62,530 – K27,920 = K34,610.

LONG-TERM LIABILITY: 8% Bank Loan K60,000.

Answer: NET ASSETS: K102,300 + K34,610 – K60,000 = K76,910.

Answer: CAPITAL: Opening K70,000 + Net Profit K29,530 – Drawings K22,620 = K76,910. ✓

Disclaimer

Created by eskulu Past Papers Tutor

These solutions were created using artificial intelligence and checked against ECZ marking guidelines. If you find an error, report it at eskulu.com/feedback.

eskulu.com | zedpastpapers.com