G12 ECZ PRINCIPLES OF ACCOUNTS 2016 SPECIMEN PAPER 2 SOLUTIONS

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

Section A: Q1–Q3 (all); Section B: Q4A or Q4B (choose one) | 2 hours

The full question paper appears first — worked answers follow.

Centre Number	Candidate Number

Candidate Name ________________________________

EXAMINATIONS COUNCIL OF ZAMBIA

Examination for School Certificate Ordinary Level

Principles of Accounts 7110/2

Paper 2

Additional material:
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** the questions in Section **A.**

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
Answer all questions in the Section

1 **(a)** State any three books of Prime Entry.

(i) ....

(ii) ....

(iii) ....

[3]

(b) Prepare Magwaza's Cash Book for the first week of January 2015 from the following information given:

2015

Jan 1	Balances brought forward: Cash in hand K1 500 Bank overdraft K2 500 Debtor: A Mulonda K3 000 Creditor: P Kamanga K6 500
Jan 5	A Mulonda paid his account owing by cheque less 5% Cash Discount
Jan 6	Paid P Kamanga the amount due to him by cheque Less 5% Cash Discount
Jan 7	Cash sales for the week K2 000; (K1 500 banked directly)

[7]

(c) The Trial Balance below related to the business of Kandolo as at 31st March, 2015, the end of the month.

	Dr	Cr
	K	K
Sales		70 000
Purchases		30 000
Debtors		45 000
Creditors	20 000	
Cash at bank		15 000
Petty cash	5 000	
Sales returns		1 000
Purchases returns	1 500	
Equipment	18 000	
Machinery		28 000
Capital	52 000	
Carriage inwards	1 500	
	98 000	189 000

The above Trial Balance was prepared by an incompetent Book-keeper. You are **required** to re-draft it correctly with a correct heading. [7]

(d) From the list below, identify **five** capital expenditure items and write them in the spaces provided.

(i) Purchase of furniture for resale
(ii) Proceeds from sales
(iii) Purchase of Plant and Machinery for a factory
(iv) Payment of legal fees for a business plot
(v) Installation cost of a new alarm system
(vi) Payment for new equipment
(vii) Payment of wages and salaries for workers
(viii) Painting the premises after three (3) years
(ix) Painting of premises for the first time
(x) Repair of air conditioning system

[5]

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

[TOTAL: 22 marks]

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

(i) Drawings
(ii) Zambwe Butcheries
(iii) Purchases
(iv) Discount Received
(v) Rent
(vi) Interest Received
(vii) Land and Buildings
(viii) Capital Account [4]

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

(b) A firm's financial year ends on 31 December. Total debtors before writing off debts and creating provisions for bad debts were as follows:

K50 750 at 31 December 2012

K60 875 at 31 December 2013

K56 025 at 31 December 2014

Bad debts to be written off at the end of each year are K750, K875 and K1 025 respectively. At 31 December 2012 the firm decided to make a provision for bad debts equal to 2½% of debtors and keep the provision at the same percentage at each year end thereafter. **Show** the Provision for Bad Debts Account for the three years. [7½]

(c) **State** the suitable method of depreciation that a farmer may use for the following assets:

(i) A tractor costing K50 000 with an estimated life span of 10 years and an estimated scrap value of K2 000

(ii) Garden loose tools worth K3 000

(iii) Office furniture cost value K8 000

(i) ....

(ii) ....

(iii) ....

[3]

(d) Papendo started business on 1 January 2013 and bought two motor vans for K40 000 each paying by cheque. He decided that his policy would depreciate the vans each year at the rate of 20% per annum of their book value at the beginning of each year, i.e. using the reducing balance method. Depreciation was to be recorded in a separate Provision for Depreciation Account.

On 31 December, 2014 after allowing for the second year's depreciation he sold one of the vans for K27 000 which he paid into the bank and bought a new van for K50 000 on credit from Toyota Zambian Limited.

Required to prepare:

(i) the Motor Van Account;

(ii) the Provision for Depreciation of Motor Van Account for the two years 2013 and 2014, paying special attention to dates and wording.

[7½]

(i)

(ii)

[Total: 22 marks]

3 **(a)** Briefly explain the following terms used under Bank Reconciliation.

(i) Revised Cash Book ....

....

(ii) Bank Statement ....

....

(iii) Bank charges ....

....

(iv) Standing order payment ....

....

.... [4]

(b) The following incomplete records have been obtained from the records of L. Lungu a trader in second hand clothes.

	01/01/2014	**31/12/2014**
Stock	2 200	2 720
Debtors	9 160	10 200
Creditors	10 940	7 120

The following details for the period 1st January 2014 to 31st December 2014 were also available:-

Cash sales	15 000
Receipts from debtors	67 760
Payments to creditors	51 740
Discount allowed	800
Discount received	480
Cash purchases	12 000

From the details given above, **you are required to**:

(i) Prepare the creditors control account to calculate the credit purchases for the year and total purchases.

(ii) Prepare the debtors control account to calculate the credit sales for the year and total sales. [11]

(i)

(ii)

[Turn over

(c) The Cash Book Bank balance of D. Sililo at 31st December 2013 stood at K1 086 (credit) while the Bank Statement showed an overdraft of K720. A check between the Cash Book and the Bank Statement showed the following discrepancies;

(i)	Standing Order not entered in Cash Book.	200
(ii)	Deposits not yet credited by the bank	1 122
(iii)	Bank charges not entered in the Cash Book	40
(iv)	Cheques drawn but not presented	1 528
(v)	Dividends and interest collected by the Bank but not entered in the Cash Book.	200

You are required to:

(i) Update the Cash Book and carry down the balance. [4]

(ii) Draw up a Bank Reconciliation Statement, with correct heading, to reconcile with the Cash Book. [3]

(i)

(ii)

[Total: 22 marks]

[Turn over

Section B

Answer only one question from this section on the answer booklet provided. Answer either 4A or 4B not Both.

Either

4 (a) Chikunda and Chikanda are in partnership sharing profits and losses in the ration 3:2 respectively.

The following Trial Balance was extracted from the partnership books as at 30th June, 2015.

		F	Dr	Cr
			K	K
	Capital Accounts: Chikunda			15,000
	Chikanda			12,000
	Current Accounts: Chikunda			1,000
	Chikanda		1,500	
	Drawings Accounts: Chikunda		4,500	
	Chikanda		3,400	
	Purchases and sales		43,000	80,000
	Carriage inwards		1,600	
	Salaries and wages		12,900	
	General expenses		800	
	Rent and rates		3,500	
	Discounts		1,200	900
	Returns		300	200
	Motor vehicles (at cost)		30,000	
	Furniture and fittings (at cost)		12,000	
	Provision for depreciation (1 July 2014):			
	Motor vehicles			12,000
	Furniture and fittings			3,200
	Stock 1 July 2014		8,600	
	Debtors and Creditors		6,600	4,000
	Provision for Bad debts (1 July 2014)			400
	Bank			1,300
	Petty Cash		100	
			130,000	**130,000**

Additional information:

(i) Stock as at 30 June 2015 was valued at K9,000

(ii) Rates paid in advance amounted to K300

(iii) K200 was owed for General Expenses on 30th June, 2015.

(iv) Fixed Assets are depreciated using straight line method as follows:
Motor vehicles at 20% per annum

Furniture and fitting sat 10% per annum

(v) The provision for bad debts is to be adjusted to K300.

(vi) Chikunda is entitled to an annual salary of K6,400 and Chikanda to K3,000.

(vii) Interest on capital is to be allowed at 10% per annum.

(viii) Interest on drawing amounted to K150 for Chikunda and K100 for Chikanda.

You are required to prepare:

(a) The Partnership Trading Account showing clearly the cost of sales and the Profit and Loss Account for the year. [13]

(b) The Appropriation Account for the year. [6]

(c) The Partnership Balance Sheet as at 30th June 2015. [15]

N.B: The Partner's Current Accounts **need not** be shown. Only the adjusted balances to be shown in the Balance Sheet.

[Total: 34 marks]

Or

(b) The Receipts and Payments Accounts of Kabebya Football Club for the year ended 31 December 2015 was as follows:

TRIAL BALANCE AS AT 31 DECEMBER 2015

Receipts	**(K)**	**Payments**	**(K)**
Balance 1 January 2015	2 900	Rent and Rates	8 200
Subscriptions	12 350	Postage and stationery	2 350
Donations	650	Cost of refreshment	4 300
Gift (for purchase of equipment)	2 000	New equipment	3 500
Sales of refreshments	6 200	Sundry expenses	2 550
		Wages for refreshment preparation	1 000
		Balance c/d	2 200
	24 100		24 100

The following additional information is available

	1 January 2015	31 December 2015
	K	K
Stock of refreshments	350	300
Owing to suppliers for refreshments	250	-
Subscription in arrears	-	250
Subscription in advance	400	-
Equipment at valuation	3 400	5 900

You are required to prepare:

(a) The Trading Account for the year ended 31 December 2015. [9]

(b) The Income and Expenditure Account for the year ended 31st December 2015. [12]

(c) The Balance Sheet as at 31st December 2015. [13]

[Total: 34 marks]

Question 1(a). State any THREE books of Prime Entry.

Answer: 1. Sales Day Book (Sales Journal) — records all credit sales invoices.

Answer: 2. Purchases Day Book (Purchases Journal) — records all credit purchase invoices.

Answer: 3. Cash Book — records all cash and bank receipts and payments.

Other valid answers: Returns Inwards Book, Returns Outwards Book, Petty Cash Book, General Journal (Journal Proper).

Question 1(b). Prepare Magwaza's Cash Book for the first week of January 2015 using the information given.

Opening balances (1 Jan): Cash in hand K1,500 Dr; Bank overdraft K2,500 Cr; Debtor A Mulonda K3,000; Creditor P Kamanga K6,500.

Jan 5: A Mulonda pays his account by cheque less 5% cash discount. Disc = 5% × K3,000 = K150. Cheque = K2,850.

Jan 6: Magwaza pays P Kamanga amount due by cheque less 5% cash discount. Disc = 5% × K6,500 = K325. Cheque = K6,175.

Jan 7: Cash sales K2,000 — K1,500 banked directly; K500 retained as cash.

THREE-COLUMN CASH BOOK:

DR side: Jan 1 Balance b/d Cash K1,500 | Jan 5 A Mulonda (Disc K150) Bank K2,850 | Jan 7 Cash Sales Cash K500 Bank K1,500.

CR side: Jan 1 Balance b/d Bank K2,500 | Jan 6 P Kamanga (Disc K325) Bank K6,175 | Balance c/d Cash K2,000 Bank K4,325.

VERIFICATION — Cash: Dr K1,500 + K500 = K2,000; Cr balance c/d K2,000 ✓.

Bank: Dr K2,850 + K1,500 + balance c/d K4,325 = K8,675; Cr K2,500 + K6,175 = K8,675 ✓.

Answer: Closing balances (7 Jan): Cash K2,000 Dr; Bank K4,325 Cr (overdraft). Discount Allowed K150; Discount Received K325.

Question 1(c). The Trial Balance below was prepared by an incompetent Book-keeper. Re-draft it correctly with a correct heading.

ERRORS IN THE GIVEN TB — items on wrong sides:

Should be Dr (but shown on Cr): Purchases K30,000 | Debtors K45,000 | Cash at Bank K15,000 | Sales returns K1,000 | Machinery K28,000.

Should be Cr (but shown on Dr): Creditors K20,000 | Purchases returns K1,500 | Capital K52,000.

KANDOLO — TRIAL BALANCE AS AT 31 MARCH 2015:

Dr: Sales Returns K1,000 | Purchases K30,000 | Carriage Inwards K1,500 | Debtors K45,000 | Equipment K18,000 | Machinery K28,000 | Cash at Bank K15,000 | Petty Cash K5,000 = K143,500.

Answer: Cr: Sales K70,000 | Capital K52,000 | Creditors K20,000 | Purchases Returns K1,500 = K143,500. ✓

Question 1(d). From the list provided, identify FIVE items of capital expenditure.

Capital Expenditure = spending that creates or enhances a fixed (non-current) asset; its benefit lasts more than one year.

Answer: (iii) Purchase of Plant and Machinery for a factory — acquires a productive fixed asset.

Answer: (iv) Payment of legal fees for a business plot — legal costs forming part of the acquisition cost of land.

Answer: (v) Installation cost of a new alarm system — creating a new security asset.

Answer: (vi) Payment for new equipment — acquiring a fixed asset.

Answer: (ix) Painting of premises for the first time — first-time painting is part of making the asset ready for use; hence capitalised.

NOT capital expenditure: (i) furniture for resale = trading stock; (ii) proceeds from sales = revenue receipt; (vii) wages = revenue expense; (viii) painting after 3 years = maintenance (revenue); (x) repair = revenue expense.

Question 2(a). Classify the following accounts as Real, Personal, or Nominal.

Answer: (i) Drawings → Personal Account (relates to the owner as an individual).

Answer: (ii) Zambeef Butcheries → Personal Account (a legal entity — treated as a person in accounting).

Answer: (iii) Purchases → Nominal Account (records the cost of goods bought — an expense).

Answer: (iv) Discount Received → Nominal Account (income account).

Answer: (v) Rent → Nominal Account (expense account).

Answer: (vi) Interest Received → Nominal Account (income account).

Answer: (vii) Land and Buildings → Real Account (tangible fixed asset held by the business).

Answer: (viii) Capital Account → Personal Account (relates to the owner's investment in the business).

Question 2(b). A firm's year ends 31 December. Debtors before write-off: K50,750 (2012); K60,875 (2013); K56,025 (2014). Bad debts to write off each year: K750; K875; K1,025. Provision = 2.5% of net debtors at each year-end. Show the Provision for Bad Debts Account for three years.

Net debtors after write-off: 2012 = K50,750 – K750 = K50,000; 2013 = K60,875 – K875 = K60,000; 2014 = K56,025 – K1,025 = K55,000.

Provision required: 2012 = 2.5% × K50,000 = K1,250; 2013 = 2.5% × K60,000 = K1,500; 2014 = 2.5% × K55,000 = K1,375.

YEAR 2012: Opening provision K0 (new). Create provision K1,250. Dr P&L; K1,250; Cr Provision K1,250.

YEAR 2013: Increase from K1,250 → K1,500 = K250. Dr P&L; K250; Cr Provision K250.

YEAR 2014: Decrease from K1,500 → K1,375 = K125. Dr Provision K125; Cr P&L; K125 (income).

PROVISION FOR BAD DEBTS ACCOUNT:

2012 | Dr: Balance c/d K1,250 | Cr: P&L; K1,250. Totals: K1,250.

2013 | Dr: Balance c/d K1,500 | Cr: Balance b/d K1,250, P&L; K250. Totals: K1,500.

Answer: 2014 | Dr: P&L; K125, Balance c/d K1,375 | Cr: Balance b/d K1,500. Totals: K1,500.

Answer: P&L; transfers: 2012 Dr K1,250 (expense); 2013 Dr K250 (expense); 2014 Cr K125 (income — provision reduced).

Question 2(c). State the suitable depreciation method for each asset owned by a farmer.

Answer: (i) Tractor K50,000, life 10 years, scrap K2,000 → Straight-Line Method. Cost, useful life, and residual value are all known. Annual depreciation = (K50,000 – K2,000) ÷ 10 = K4,800.

Answer: (ii) Garden loose tools K3,000 → Revaluation (Stock) Method. Loose tools are small, numerous, and individually low-value; revalued at year-end and the decrease in value is the depreciation charge.

Answer: (iii) Office furniture K8,000 → Straight-Line Method. Furniture has a predictable, even pattern of use over its life, making equal annual charges appropriate.

Question 2(d). Papendo buys two motor vans on 1 Jan 2013 at K40,000 each. 20% reducing balance. At 31 Dec 2014 (after 2 years' depreciation) he sells one van for K27,000 (banked) and buys a new one for K50,000 on credit from Toyota Zambian Ltd. Prepare (i) Motor Van Account; (ii) Provision for Depreciation of Motor Van Account.

DEPRECIATION WORKING:

Year 2013: 20% × K80,000 = K16,000. NBV at 31 Dec 2013 = K64,000.

Year 2014: 20% × K64,000 = K12,800. NBV per van at 31 Dec 2014 = K64,000÷2 – K6,400 = K25,600.

Accumulated depreciation per old van = K40,000 – K25,600 = K14,400.

On disposal: Dr Disposal K40,000; Cr Motor Vans K40,000. Dr Provision K14,400; Cr Disposal K14,400. Dr Bank K27,000; Cr Disposal K27,000.

Profit on disposal = K27,000 – K25,600 = K1,400.

(i) MOTOR VAN ACCOUNT:

2013: Dr Bank K80,000 (2 vans × K40,000) | Cr Balance c/d K80,000.

2014: Dr Balance b/d K80,000 + Toyota Zambian Ltd K50,000 = K130,000 | Cr Disposal K40,000 + Balance c/d K90,000 = K130,000.

Answer: Closing Motor Van balance 31 Dec 2014: K90,000 Dr (1 kept K40,000 + 1 new K50,000).

(ii) PROVISION FOR DEPRECIATION (MOTOR VANS):

2013: Dr Balance c/d K16,000 | Cr Dep'n expense (P&L;) K16,000.

2014: Dr Disposal K14,400 (removing dep'n on sold van) + Balance c/d K14,400 = K28,800 | Cr Balance b/d K16,000 + Dep'n K12,800 = K28,800.

Answer: Closing provision 31 Dec 2014: K14,400 Cr (accumulated dep'n on the one kept van only; new van has nil dep'n for 2014).

Question 3(a). Briefly explain the following terms used in Bank Reconciliation.

Answer: (i) Revised Cash Book: The Cash Book updated by adding items found on the bank statement that have not yet been entered in the business's Cash Book (e.g., standing orders paid by bank, bank charges deducted, dividends collected by bank). After updating, the Cash Book balance is used as the starting point for the Bank Reconciliation Statement.

Answer: (ii) Bank Statement: A document issued by the bank that lists all transactions on the business's account from the bank's perspective — showing each deposit (credit) and withdrawal (debit). It serves as an external record used to verify the Cash Book.

Answer: (iii) Bank charges: Fees deducted directly by the bank for services rendered (e.g., monthly service charges, transaction fees). They appear on the bank statement but may not yet appear in the Cash Book, causing a difference.

Answer: (iv) Standing order payment: A fixed, regular payment instructed by the account holder to the bank to pay a specified amount to a third party at set intervals (e.g., monthly rent or loan instalment). The bank deducts these automatically; they may not yet be recorded in the Cash Book.

Question 3(b). L. Lungu is a second-hand clothes trader. Using the available information, prepare (i) Creditors Control Account to find credit purchases and total purchases; (ii) Debtors Control Account to find credit sales and total sales.

OPENING: Stock K2,200; Debtors K9,160; Creditors K10,940.

CLOSING: Stock K2,720; Debtors K10,200; Creditors K7,120.

TRANSACTIONS: Cash sales K15,000; Receipts from debtors K67,760; Payments to creditors K51,740; Discount allowed K800; Discount received K480; Cash purchases K12,000.

(i) CREDITORS CONTROL ACCOUNT:

Dr: Cash paid K51,740 | Discount received K480 | Balance c/d K7,120 = K59,340.

Cr: Balance b/d K10,940 | Credit Purchases (?) = K59,340.

Answer: Credit Purchases = K59,340 – K10,940 = K48,400.

Answer: Total Purchases = Cash K12,000 + Credit K48,400 = K60,400.

(ii) DEBTORS CONTROL ACCOUNT:

Dr: Balance b/d K9,160 | Credit Sales (?) = (see below).

Cr: Cash received K67,760 | Discount allowed K800 | Balance c/d K10,200 = K78,760.

Answer: Credit Sales = K78,760 – K9,160 = K69,600.

Answer: Total Sales = Cash K15,000 + Credit K69,600 = K84,600.

Question 3(c). D. Sililo's Cash Book shows a bank balance of K1,086 Cr (overdraft) at 31 Dec 2013. Bank Statement shows overdraft K720. Discrepancies listed. (i) Update Cash Book; (ii) Draw up Bank Reconciliation Statement.

ITEMS NOT IN CASH BOOK (update Cash Book first):

Standing Order K200 → payment by bank not in CB → Cr Cash Book K200 (increases overdraft).

Bank charges K40 → deducted by bank → Cr Cash Book K40 (increases overdraft).

Dividends/interest collected K200 → receipt by bank → Dr Cash Book K200 (reduces overdraft).

Deposits in transit (K1,122) and unpresented cheques (K1,528) are in CB but NOT in BS — they do NOT update the Cash Book.

(i) UPDATED CASH BOOK (Bank column):

Dr: Dividends/interest K200 | Balance c/d K1,126 = K1,326.

Cr: Balance b/d K1,086 | Standing Order K200 | Bank Charges K40 = K1,326.

Answer: Updated Cash Book balance: K1,126 Cr (overdraft).

(ii) BANK RECONCILIATION STATEMENT as at 31 December 2013:

Balance per Bank Statement: K720 (overdraft).

Add: Unpresented cheques (in CB not yet cleared by bank): K1,528.

Less: Deposits in transit (in CB not yet credited by bank): K1,122.

Answer: Updated Cash Book balance: K720 + K1,528 – K1,122 = K1,126 Cr (overdraft). ✓

Question 4A(a). [SECTION B — Q4A] Chiluanda & Chikanda partnership, profit ratio 3:2. Prepare the Partnership Trading Account for year ended 30 June 2015.

TB KEY FIGURES: Sales K80,000; Purchases K43,000; Returns Inwards K300 Dr; Returns Outwards K200 Cr; Carriage Inwards K1,600; Stock 1 July 2014 K8,600.

Closing stock (adj i): K9,000.

TRADING ACCOUNT:

Net Sales = K80,000 – K300 = K79,700.

Net Purchases = K43,000 – K200 = K42,800; + Carriage K1,600 = K44,400.

COGS = K8,600 + K44,400 – K9,000 = K44,000.

Answer: Gross Profit = K79,700 – K44,000 = K35,700.

Question 4A(b). Prepare the Profit and Loss Account for year ended 30 June 2015.

ADJUSTMENTS:

Rates prepaid K300 → Rent & Rates expense = K3,500 – K300 = K3,200.

General expenses accrued K200 → General expenses = K800 + K200 = K1,000.

Depreciation — Motor Vehicles (SLM 20%): 20% × K30,000 = K6,000.

Depreciation — F&F; (SLM 10%): 10% × K12,000 = K1,200.

Provision for Bad Debts: Existing K400 → Required K300. Decrease K100 → credit to P&L.;

PROFIT AND LOSS ACCOUNT:

Income: Gross Profit K35,700 + Discount Received K900 + PDD Decrease K100 = K36,700.

Expenses: Salaries & wages K12,900 + General expenses K1,000 + Rent & rates K3,200 + Discount Allowed K1,200 + MV Dep'n K6,000 + F&F; Dep'n K1,200 = K25,500.

Answer: Net Profit = K36,700 – K25,500 = K11,200.

Question 4A(c). Prepare the Appropriation Account for year ended 30 June 2015.

APPROPRIATION:

Net Profit K11,200 + Interest on Drawings (Chiluanda K150 + Chikanda K100) = K11,450.

Less Partners' Salaries: Chiluanda K6,400 + Chikanda K3,000 = K9,400.

Less Interest on Capital: Chiluanda 10% × K15,000 = K1,500; Chikanda 10% × K12,000 = K1,200 = K2,700.

Balance (residual LOSS) = K11,450 – K9,400 – K2,700 = –K650.

Share of loss in ratio 3:2: Chiluanda 3/5 × K650 = K390; Chikanda 2/5 × K650 = K260.

Answer: ADJUSTED CURRENT ACCOUNT BALANCES (for Balance Sheet):

Answer: Chiluanda: Opening K1,000 Cr + Salary K6,400 + IoC K1,500 – IoD K150 – Loss K390 – Drawings K4,500 = K3,860 Cr.

Answer: Chikanda: Opening K1,500 Dr + Salary K3,000 + IoC K1,200 – IoD K100 – Loss K260 – Drawings K3,400 = K1,060 Dr.

Answer: Net current accounts: K3,860 – K1,060 = K2,800 Cr.

Question 4A(d). Prepare the Balance Sheet as at 30 June 2015. (Partners' Current Accounts need not be shown — show adjusted balances only.)

FIXED ASSETS:

Motor Vehicles: Cost K30,000 | Accum Dep'n K12,000 + K6,000 = K18,000 | NBV K12,000.

F&F;: Cost K12,000 | Accum Dep'n K3,200 + K1,200 = K4,400 | NBV K7,600.

Answer: Total Fixed Assets: K19,600.

CURRENT ASSETS: Stock K9,000 | Debtors K6,600 – PDD K300 = K6,300 | Prepaid Rates K300 | Petty Cash K100.

Answer: Total CA K15,700. Less Current Liabilities: Creditors K4,000 + Bank overdraft K1,300 + Accrued expenses K200 = K5,500. Net CA K10,200.

Answer: NET ASSETS = K19,600 + K10,200 = K29,800.

FINANCED BY:

Answer: Capital Accounts: Chiluanda K15,000 + Chikanda K12,000 = K27,000.

Answer: Current Accounts (adjusted): Chiluanda K3,860 Cr – Chikanda K1,060 Dr = K2,800 net Cr.

Answer: Total = K27,000 + K2,800 = K29,800. ✓

Question 4B(a). [SECTION B — Q4B ALTERNATIVE] Kabetya Football Club. Prepare the Trading Account for refreshments for year ended 31 December 2015.

R&P; ACCOUNT DATA: Receipts — Balance b/d K2,900; Subscriptions K12,350; Donations K650; Gift (for equipment) K2,000; Sales of refreshments K6,200 = K24,100. Payments — Rent K8,200; Postage K2,350; Cost of refreshment K4,300; New equipment K3,500; Sundry expenses K2,550; Wages for refreshment prep K1,000; Balance c/d K2,200 = K24,100.

REFRESHMENT TRADING ACCOUNT:

Sales K6,200.

Opening Stock K350 + Purchases (K4,300 paid + K0 closing creditors – K250 opening creditors) = K4,050 + Wages K1,000 – Closing Stock K300.

COGS = K350 + K4,050 + K1,000 – K300 = K5,100.

Answer: Gross Profit from refreshments = K6,200 – K5,100 = K1,100.

Question 4B(b). Prepare the Income and Expenditure Account for year ended 31 December 2015.

SUBSCRIPTIONS ACCOUNT:

Dr: Advance b/d K400 (earned this year) + Cash K12,350 + Arrears c/d K250 = K13,000.

Cr: Arrears b/d K0 + I&E; Subscriptions K13,000 + Advance c/d K0 = K13,000.

Answer: I&E; Subscriptions: K12,350 + K250 (arrears c/d) – K0 (arrears b/d) + K400 (advance b/d earned) – K0 = K13,000.

Depreciation on Equipment: Opening K3,400 + Additions K3,500 – Closing K5,900 = K1,000.

Gift K2,000 (specifically for equipment purchase) → Capital Receipt; taken directly to Accumulated Fund, not I&E.;

INCOME AND EXPENDITURE ACCOUNT:

Income: Gross Profit (refreshments) K1,100 + Subscriptions K13,000 + Donations K650 = K14,750.

Expenditure: Rent and Rates K8,200 + Postage and stationery K2,350 + Sundry expenses K2,550 + Equipment depreciation K1,000 = K14,100.

Answer: Surplus for year = K14,750 – K14,100 = K650.

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

OPENING ACCUMULATED FUND (1 Jan 2015):

Assets: Equipment K3,400 + Stock K350 + Cash K2,900 = K6,650.

Liabilities: Suppliers for refreshments K250 + Subscriptions in advance K400 = K650.

Answer: Opening AF = K6,650 – K650 = K6,000.

BALANCE SHEET as at 31 December 2015:

Fixed Assets: Equipment at valuation K5,900.

Current Assets: Stock K300 + Subscriptions in arrears K250 + Bank K2,200 = K2,750.

Current Liabilities: Nil (all creditors paid; no advance subscriptions).

Answer: Net Assets = K5,900 + K2,750 = K8,650.

ACCUMULATED FUND:

Answer: Opening AF K6,000 + Gift (capital donation for equipment) K2,000 + Surplus K650 = K8,650. ✓

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