G12 ECZ PRINCIPLES OF ACCOUNTS 2020 SPECIMEN PAPER 2 SOLUTIONS

Grade 12 ECZ Principles of Accounts 2020 Specimen Paper 2 (7110/2)

School Certificate | 2 hours | Section A (Q1, Q2; Q3 either i or ii) + Section B (Q4A or Q4B)

e full question paper appears first — worked answers follow. Both Q3 alternatives and both Section B options are worked here for completene

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Centre Number	Candidate Number

Candidate Name ______________________

EXAMINATIONS COUNCIL OF ZAMBIA

Examination for School Certificate Ordinary Level

Principles of Accounts 7110/2

Paper 2

Specimen

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 in the question paper.

4 For **Question 3** answer only **one** question, either **3 (i)** or **3 (ii)**; not both. Both question **3 (i)** and **3 (ii)** carry equal marks.

5 Answer only **one (1)** question in Section **B**; either **4 (a)** or **4(b)** on the separate Answer Booklet provided. Both questions 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 before you begin writing.

Cell phones are not allowed in the examination room.

For Examiner's Use Only		
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 the table below write the missing source document or book of prime entry to match them.

SOURCE DOCUMENT	BOOK OF PRIME ENTRY
Original Credit Note	**(i)**
(ii)	Sales Returns Journal
Cheque	**(iii)**
(iv)	Sales Journal

[4]

(b) R. Phiri had the following transactions for the Returns Books for April 2019;

2019

April 6 Returned assorted goods to J. Mulenga Wholesaler all valued at K5 000.00 list price less 10% Trade discount: Reason damaged in transit.

April 10 Mulilo Muleya returned:

5 2.5 litres cooking oil at K44.00 each, containers not full.
2 cases white sugar at K300.00/case damaged

April 12 Returned to Lekisa Wholesalers:

5 chitenge pieces @ K28.00 each as poorly finished.
6 T-shirts @ K50.00 each as soiled along the way.
All subject to 20% Trade Discount.

April 20 Annah Jolezya returned

3 cases brown sugar @ K300.00 per case as underweights

Required:

You are required to prepare R. Phiri's Purchases Returns Journal only for the month. [6]

1 (b)

(c) The following Trial Balance was drawn by an inexperienced bookkeeper and has a number of errors;

Mweemba Mwiimbi Trial Balance
for the year ended 30 September 2019

Details	**Dr**		**Cr**	
	K	**N**	**K**	**N**
Capital			33 000	00
Sales			19 000	00
Returns Outwards	600	00		
Purchases	12 000	00		
Carriage on Purchases	1 000	00		
Carriage on Sales			2 200	00
Discount Allowed			1 800	00
Discount Received	400	00		
Cash at Bank	4 000	00		
Stock at 1 October 2018	4 000	00		
Premises	40 000	00		
Rent Received	2 000	00		
Loan from Building Society	10 000	00		
Suspense account			18 000	00
	74 000	00	74 000	00

[Turn over

You are **required** to rewrite the Trial Balance as it should appear with the correct heading. [7]

(d) State the type of expenditure, capital or revenue incurred in the following transactions:

(i) Cost of installing a new machine.
(ii) Carriage costs on purchases.
(iii) Legal costs for collecting debts.
(iv) Building extension to the warehouse.
(v) Fire Insurance costs. [5]

	TYPE OF EXPENDITURE
(i)	
(ii)	
(iii)	
(iv)	
(v)	

[Total: 22 marks]

2 (a) Name the ledger in which the following accounts may be found;

(i) Credit customers accounts.
(ii) Purchases Account.
(iii) Rent and Rates Account.
(iv) J. Muyumbana; a supplier of groceries on credit. [4

	LEDGER IN WHICH ACCOUNT IS FOUND
(i)	
(ii)	
(iii)	
(iv)	

(b) A. Banda owns houses which he lets out to tenants at a total rent fixed at K60 000.00 per annum.
The following details were availed to you for the year ending 31 December 2019:

January 1	Balance from tenants owing to Banda K6 000.00.
April 5	Total cheques received from tenants K31 000.00.
August 10	Cheques from tenants K24 000.00.
December 15	Cash from tenants K7 000.00.

Required:
Prepare the Rent Receivable Account in the appropriate ledger for the year, showing the transfer to Profit and Loss Account and the balance if any.
Pay attention to dates and detail. [8]

2 (b)

(c) State the method of depreciation you would best use for the following assets:

(i) Loose tools for a garage owner.

(ii) A delivery van with life span estimated at 10 years.

(iii) Factory plant and machinery without life span estimation. [3]

	METHOD OF DEPRECIATION
(i)	
(ii)	
(iii)	

(d) J. Mulenga Pvt Ltd had the following Ledger Accounts balances in relation to the Motor Vehicles at 1 January 2019:

	K **N**
Motor Vehicles Account	150 000.00
Provision for Depreciation	90 000.00

Depreciation is provided at the rate of 20% of cost of the motor vehicles. A full year's depreciation is charged in the year of purchase but no depreciation is charged in the year of disposal.

A vehicle bought for K50 000.00 in June 2016 was sold off at K18 000.00 and a cheque received on 1 November 2019.

You are **required** to write up and balance the:

(i) Motor Vehicles Account,

(ii) Motor Vehicle Disposal Account

and show how they appeared in the ledger at 31 December 2019. [7]

[Total: 22 marks]

[Turn over

EITHER

3 **(i)** **(a)** State the effect on the Trial Balance for the following errors committed:

e.g. sales figure was under cast by K2 000.00

(i) A cheque received from M Musongole K5 000.00 was recorded on the wrong side of the Cash Book.

(ii) The discounts allowed total from the cash book K6 500. 00 was not posted to the ledger. [2]

	EFFECT ON THE TRIAL BALANCE
e.g.	**Credit side will be smaller by K2 000.00**
(i)	
(ii)	

(b) V. Mulewa drew up a Trial Balance on 30 September 2019, from the ledger accounts balances in his books. Unfortunately the Trial Balance sides did not agree and a Suspense Account was opened for the difference.

Upon investigation the following errors were discovered:

(i) The total of the Purchases Returns Journal, K3 700.00 had not been posted to the ledger.

(ii) The purchase for K4 200.00 of Office Furniture had been posted to the Purchases Account.

(iii) A sale of K5 000.00 to C. Walubita was entered wrongly as K6 000 in his account.

(iv) A debit balance of K8 700. 00 of A. Foloko's Account was brought down as K7 800. 00 and the wrong figure was included in the debtors figure to the Trial Balance.

(v) Goods bought from S. Simikoko K7 000. 00 were credited to R.S. Simukoko.

After the corrections the Suspense Account was cleared.

Required

(i) Make the Journal entries (narrations not required).

(ii) Draw up the Suspense Account to show how it clears including the opening balance to be determined after making the necessary postings. [4]

[Turn over

(c) Joel Samakayi's Cash Book (Bank column) and the Bank Statement for the month of September 2019 showed the following details:

CASH BOOK (BANK COLUMN)

			f	Dr K	N	Cr K	N
2019							
Sept	1	Balance	b/f	12 000	00		
	3	L Libongani				1 800	00
	12	J. Chanda		4 500	00		
	19	R. Simutengu				5 400	00
	23	Desai & Sons				21 000	00
	24	Mweemba Choolwe		1 200	00		
	30	J. Mwilima		21 500	00		
	30	Balance	c/d			11 000	00
				39 200	00	39 200	00

BANK STATEMENT

Details				Payments	Receipts	Balance
2019				K N	K N	K N
Sept	1	Balance	b/f			12 000.00
	13	J. Chanda			4 500.00	16 500.00
	18	L. Libongani		1 800.00		14 700.00
	20	Banker's Order-Rent		2 000.00		12 700.00
	22	R. Simutenga		5 400.00		7 300.00
	24	Mweemba Choolwe			1 200.00	8 500.00
	29	Unpaid cheque-M Choolwe		1 200.00		7 300.00
	30	Dividends			1 800.00	9 100.00

Required

(i) Bring the Cash Book up-to-date beginning with the balance at 30 September, 2019. [4]

(ii) Prepare the Bank Reconciliation statement with its correct heading to reconcile the difference between the amended Cash Book and the Bank Statement balances. [3]

OR

3 (ii) (a) Lusaka Wholesalers had the following information for the Debtors and Creditors Control Accounts for the month of October 2019

2019			**K**	**N**
Oct	1	Debtors ledger control balance	35 800	00
	1	Debtors ledger control credit balance	2 700	00
	1	Creditors ledger control balance	28 500	00
	1	Creditors ledger control debit balance	3 400	00
Oct	31	Credit sales for the month	62 600	00
		Cash sales for the month	10 870	00
		Credit purchases for the month	50 860	00
		Sales returns	1 600	00
		Purchases returns	2 500	00
		Cheques received from debtors	70 000	00
		Cheques paid to creditors	55 600	00
		Discounts Allowed	10 700	00
		Discounts Received	8 750	00
		Debtors dishonoured cheques	8 900	00

Required

To prepare the Sales Ledger Control Account only and show the closing balance. [8]

(b) The following information relates to the business of Chilyata Halubono for the year ended 30 November 2019

	K	N
Sales	1 300 000	00
Sales returns	50 000	00
Stock at 1 December 2018	57 000	00

Gross profit is at the rate of 40% on Turnover.

Net profit is at the rate of 15% on Turnover.

Rate of Stock-Turnover is 12.

Using the information provided above, calculate the:

(i) Year's turnover. [2]

(ii) Gross Profit. [2]

(iii) Cost of Goods sold. [2]

(iv) Net Profit. [2]

(v) Cost of the Closing Stock at 30 November 2019. [6]

[14 marks]

[Total: 22 marks]

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)** Matyola Chilumuna does not keep a full set of books for the business but has the following information available

	1 October 2018		30 September 2019	
	K		K	
Stock	47 000	00	64 000	00
Debtors	19 000	00	20 000	00
Bank	8 500	00		
Bank Overdraft			24 500	00
Creditors	25 500	00	17 500	00
Premises	20 000	00	21 000	00
Equipment	43 000	00	39 000	00
Motor Vehicles			52 000	00

During the year Chilumuna took K3 500.00 cash per month for his personal use.

He also paid K7 000.00 expenses for repair of his private motor vehicle from the business Bank Account.

In June 2019 he sold some of his private investments for K30 000.00 and put the proceeds into the business Bank Account.

Required

(i) Calculate the opening and closing business capital show your workings. [19]

(ii) Prepare a statement showing profit or loss for the year ending 30 September 2019. [6½]

(iii) Prepare a Balance Sheet as at 30 September 2019. [8½]

[Total: 34 marks]

OR

(b) The following summarized Bank Account relates to Moonze Football Club for the year ended 31 December 2019

DEBIT	**K**	**N**	**CREDIT**	**K**	**N**
Balance (1-01-2019)	4 000	00	Rent of ground	8 600	00
Members subscriptions	14 600	00	New Football Equipment	3 200	00
Collections at matches	4 050	00	Wages	5 000	00
Sales of Refreshments	6 750	00	Cost of Refreshments	3 400	00
Sale of surplus football equipment (book value K1 100.00)	700	00	Postage and stationery	1 800	00
			Sundry expenses	2 500	00

Additional Information:

	1 January 2019 K	31 December 2019 K
Subscriptions in advance	400.00	800.00
Subscriptions in arrears	200.00	
Football equipment at valuation	3 300.00	5 400.00
Stock of refreshments	600.00	700.00
Owing to suppliers of refreshments	350.00	450.00
Unbanked cash from collections		400.00

Of the wages expenses figure; K3 000.00 was for ground upkeep

K2 000.00 was for preparation of refreshments

Required

(i) Calculate (showing your working) the accumulated fund at 1 January 2019. [4]

(ii) Prepare the Subscriptions Account. [3]

(iii) Prepare the Refreshments Trading Account for the year. [6]

(iv) Prepare the Income and Expenditure Account for the year and a Balance Sheet at 31 December 2019. [2]

[Total: 34 marks]

Question 1(a). Complete the table by writing the missing source document or book of prime entry.

Answer: (i) Original Credit Note → Returns Outwards Journal (Purchases Returns Book). The buyer receives the original credit note from a supplier and records it here.

Answer: (ii) Duplicate (copy) Credit Note → Sales Returns Journal. The seller keeps a copy of the credit note issued to the customer and records it in the Sales Returns Journal.

Answer: (iii) Cheque → Cash Book. Cheques received/paid are recorded in the Cash Book.

Answer: (iv) Duplicate (copy) Sales Invoice → Sales Journal. The seller's copy of the sales invoice is the source document for the Sales Journal.

Question 1(b). Prepare R. Phiri's Purchases Returns Journal (Returns Outwards) only for April 2019. (Only goods Phiri RETURNED TO suppliers belong here; goods returned TO Phiri by customers are sales returns.)

INCLUDE (Phiri returns to suppliers):

Apr 6 — J. Mulenga Wholesaler: goods K5,000 list less 10% Trade Discount = K5,000 × 90% = K4,500.

Apr 12 — Lekisa Wholesalers: 5 chitenge @ K28 = K140 + 6 T-shirts @ K50 = K300 → list K440 less 20% TD = K440 × 80% = K352.

EXCLUDE (customers returning to Phiri = sales returns): Apr 10 Mulilo Muleya; Apr 20 Annah Jolezya.

PURCHASES RETURNS JOURNAL — April 2019:

Apr 6 | J. Mulenga Wholesaler | K4,500

Apr 12 | Lekisa Wholesalers | K352

Answer: Total Returns Outwards = K4,852. Posted: Dr individual creditors' accounts; Cr Returns Outwards Account K4,852.

Question 1(c). Rewrite Mweemba Mwiimbi's Trial Balance correctly (the inexperienced bookkeeper placed several items on the wrong side, creating a Suspense of K18,000).

ITEMS ON WRONG SIDES (moved to correct side):

Returns Outwards (was Dr K600 → Cr); Carriage on Sales (was Cr K2,200 → Dr, an expense); Discount Allowed (was Cr K1,800 → Dr, an expense); Discount Received (was Dr K400 → Cr, income); Rent Received (was Dr K2,000 → Cr, income); Loan from Building Society (was Dr K10,000 → Cr, a liability).

The Suspense Account K18,000 is ELIMINATED — it existed only because of the wrong-side postings.

MWEEMBA MWIIMBI — TRIAL BALANCE AS AT 30 SEPTEMBER 2019 (CORRECTED):

Dr: Purchases K12,000 | Carriage on Purchases K1,000 | Carriage on Sales K2,200 | Discount Allowed K1,800 | Cash at Bank K4,000 | Stock (1 Oct 2018) K4,000 | Premises K40,000 = K65,000.

Answer: Cr: Capital K33,000 | Sales K19,000 | Returns Outwards K600 | Discount Received K400 | Rent Received K2,000 | Loan from Building Society K10,000 = K65,000. ✓ (No suspense.)

Question 1(d). State the type of expenditure (capital or revenue) for each transaction.

Answer: (i) Cost of installing a new machine → Capital Expenditure (installation cost is part of bringing a fixed asset into use).

Answer: (ii) Carriage costs on purchases → Revenue Expenditure (a running cost of acquiring trading stock).

Answer: (iii) Legal costs for collecting debts → Revenue Expenditure (routine cost of running the business).

Answer: (iv) Building extension to the warehouse → Capital Expenditure (enlarges/improves a fixed asset).

Answer: (v) Fire Insurance costs → Revenue Expenditure (recurring operating expense).

Question 2(a). Name the ledger in which each account is found.

Answer: (i) Credit customers' account → Sales Ledger (Debtors' Ledger).

Answer: (ii) Purchases Account → General Ledger (Nominal Ledger).

Answer: (iii) Rent and Rates Account → General Ledger (Nominal Ledger).

Answer: (iv) J. Muyumbana (a supplier of groceries on credit) → Purchases Ledger (Creditors' Ledger).

Question 2(b). Prepare A. Banda's Rent Receivable Account for the year ending 31 December 2019, showing the transfer to Profit and Loss. (Total rent fixed at K60,000 per annum.)

Opening: tenants owed K6,000 (arrears → Dr balance b/d). Rent earned for the year (income to P&L;) = K60,000.

Received: Apr 5 K31,000 + Aug 10 K24,000 + Dec 15 K7,000 = K62,000.

RENT RECEIVABLE ACCOUNT:

Dr: Jan 1 Balance b/d (arrears) K6,000 | P&L; (rent for the year) K60,000 = K66,000.

Cr: Bank/Cash received K62,000 | Dec 31 Balance c/d K4,000 = K66,000.

Answer: Transfer to Profit and Loss = K60,000 (rent receivable income).

Answer: Balance c/d K4,000 (Dr balance b/d 2020) = rent still owing by tenants at year-end.

Question 2(c). State the method of depreciation best used for each asset.

Answer: (i) Loose tools for a garage owner → Revaluation Method (tools are revalued at each year-end; the fall in value is the depreciation).

Answer: (ii) A delivery van with a life span estimated at 10 years → Straight Line Method (a known useful life makes equal annual charges appropriate).

Answer: (iii) Factory plant and machinery without life span estimation → Reducing Balance Method (a fixed percentage on the diminishing book value).

Question 2(d). J. Mulenga Pvt Ltd: Motor Vehicles K150,000 and Provision for Depreciation K90,000 at 1 Jan 2019. Depreciate 20% of cost; full year in year of purchase, none in year of disposal. A vehicle bought for K50,000 in June 2016 was sold for K18,000 (cheque) on 1 Nov 2019. Prepare (i) Motor Vehicles Account; (ii) Motor Vehicle Disposal Account, balanced at 31 Dec 2019.

Sold vehicle: cost K50,000, dep'n = 20% × K50,000 = K10,000/year for 2016, 2017, 2018 (none in 2019) → accumulated K30,000. NBV = K50,000 – K30,000 = K20,000.

(i) MOTOR VEHICLES ACCOUNT (2019):

Dr: Jan 1 Balance b/d K150,000.

Cr: Nov 1 Disposal K50,000 | Dec 31 Balance c/d K100,000 = K150,000.

Answer: Balance b/d (2020) = K100,000.

(ii) MOTOR VEHICLE DISPOSAL ACCOUNT:

Dr: Motor Vehicles (cost) K50,000.

Cr: Provision for Depreciation K30,000 | Bank (proceeds) K18,000 | P&L; (loss on disposal) K2,000 = K50,000.

Answer: Loss on disposal = NBV K20,000 – Proceeds K18,000 = K2,000 (charged to P&L;).

Answer: Provision for Depreciation at 31 Dec 2019: K90,000 – K30,000 (to disposal) + K20,000 (2019 dep'n on remaining K100,000) = K80,000.

Question 3(i)(a). [Q3 alternative (i)] State the effect on the Trial Balance of each error.

(i) A cheque received from M Musongole K5,000 was recorded on the WRONG side of the Cash Book.

Answer: The receipt should be Dr Bank K5,000 but was Cr Bank K5,000, so the bank (debit) balance is understated by K10,000 → the Debit side will be smaller by K10,000.

(ii) The Discounts Allowed total from the Cash Book K6,500 was not posted to the ledger.

Answer: Discount Allowed (an expense) should be Dr K6,500; the missing debit means the Debit side will be smaller by K6,500.

Question 3(i)(b). Make the journal entries to correct V. Mulewa's errors and draw up the Suspense Account, determining the opening balance.

(i) Purchases Returns Journal total K3,700 not posted (credit missing) → Dr Suspense K3,700; Cr Returns Outwards K3,700.

(ii) Office Furniture K4,200 posted to Purchases (error of principle) → Dr Office Furniture K4,200; Cr Purchases K4,200. (No suspense.)

(iii) Sale of K5,000 to C. Walubita entered as K6,000 in his account (over-debited K1,000) → Dr Suspense K1,000; Cr C. Walubita K1,000.

(iv) A. Foloko's debit balance K8,700 brought down as K7,800 (under-debited K900) → Dr A. Foloko K900; Cr Suspense K900.

(v) Goods from S. Simikoko K7,000 credited to R.S. Simukoko (error of commission) → Dr R.S. Simukoko K7,000; Cr S. Simikoko K7,000. (No suspense.)

SUSPENSE ACCOUNT:

Dr: Returns Outwards K3,700 | C. Walubita K1,000 = K4,700.

Cr: Balance b/d K3,800 | A. Foloko K900 = K4,700.

Answer: Opening Suspense balance (before corrections) = K3,800 (Credit). The account clears exactly after the postings. ✓

Question 3(i)(c). Joel Samakayi: Cash Book (Bank column, balance K11,000 Dr) and Bank Statement (balance K9,100) for September 2019. (i) Update the Cash Book; (ii) Prepare the Bank Reconciliation Statement.

Items on the Bank Statement not yet in the Cash Book → update the Cash Book:

Banker's Order — Rent K2,000 (payment) → Cr; Unpaid cheque M Choolwe K1,200 (dishonoured) → Cr; Dividends K1,800 (receipt) → Dr.

(i) UPDATED CASH BOOK:

Dr: Balance b/d K11,000 | Dividends K1,800 = K12,800.

Cr: Banker's Order (Rent) K2,000 | Unpaid cheque (M Choolwe) K1,200 | Balance c/d K9,600 = K12,800.

Answer: Updated Cash Book balance = K9,600 Dr.

(ii) BANK RECONCILIATION STATEMENT as at 30 September 2019:

Balance as per updated Cash Book: K9,600.

Add: Unpresented cheque (Desai & Sons) K21,000 → K30,600.

Less: Uncredited lodgement (J. Mwilima) K21,500 → K9,100.

Answer: Balance as per Bank Statement = K9,100. ✓ Reconciled.

Question 3(ii)(a). [Q3 alternative (ii)] Lusaka Wholesalers: prepare the Sales Ledger Control Account only for October 2019 and show the closing balance.

INCLUDE only debtor items. EXCLUDE: cash sales K10,870, credit purchases K50,860, purchases returns K2,500, cheques paid to creditors K55,600, discounts received K8,750, creditors balances.

SALES LEDGER CONTROL ACCOUNT — October 2019:

Dr: Balance b/d (debtors) K35,800 | Credit Sales K62,600 | Dishonoured cheques K8,900 = K107,300.

Cr: Balance b/d (credit balances) K2,700 | Sales Returns K1,600 | Cheques received from debtors K70,000 | Discounts Allowed K10,700 | Balance c/d (debtors) K22,300 = K107,300.

Answer: Closing debtors balance = K22,300 Dr.

Question 3(ii)(b). Chilyata Halubeno, year ended 30 November 2019. Sales K1,300,000; Sales returns K50,000; Stock 1 Dec 2018 K57,000. GP = 40% of turnover; NP = 15% of turnover; Rate of Stock Turnover = 12. Calculate (i)–(v).

Answer: (i) Net Turnover = Sales – Sales returns = K1,300,000 – K50,000 = K1,250,000.

Answer: (ii) Gross Profit = 40% × K1,250,000 = K500,000.

Answer: (iii) Cost of Goods Sold = Turnover – GP = K1,250,000 – K500,000 = K750,000.

Answer: (iv) Net Profit = 15% × K1,250,000 = K187,500.

(v) Average Stock = COGS ÷ Stock Turnover = K750,000 ÷ 12 = K62,500. Average Stock = (Opening + Closing) ÷ 2 → Opening + Closing = K125,000.

Answer: Closing Stock = K125,000 – K57,000 (opening) = K68,000.

Question 4A(a). [SECTION B — Q4A] Matyola Chilumuna (incomplete records). Calculate the opening and closing business capital.

OPENING CAPITAL (1 October 2018) = Assets – Liabilities:

Assets: Stock K47,000 + Debtors K19,000 + Bank K8,500 + Premises K20,000 + Equipment K43,000 = K137,500.

Liabilities: Creditors K25,500.

Answer: Opening Capital = K137,500 – K25,500 = K112,000.

CLOSING CAPITAL (30 September 2019) = Assets – Liabilities:

Assets: Stock K64,000 + Debtors K20,000 + Premises K21,000 + Equipment K39,000 + Motor Vehicles K52,000 = K196,000.

Liabilities: Bank Overdraft K24,500 + Creditors K17,500 = K42,000.

Answer: Closing Capital = K196,000 – K42,000 = K154,000.

Question 4A(b). Prepare a statement showing profit or loss for the year ending 30 September 2019.

Drawings = Cash K3,500 × 12 = K42,000 + private motor vehicle repair K7,000 = K49,000.

Capital introduced = private investments sold K30,000 (paid into business Bank).

STATEMENT OF PROFIT OR LOSS (capital comparison):

Closing Capital K154,000 + Drawings K49,000 = K203,000.

Less: Capital introduced K30,000 → K173,000.

Less: Opening Capital K112,000.

Answer: Net Profit = K203,000 – K30,000 – K112,000 = K61,000.

Question 4A(c). Prepare a Balance Sheet as at 30 September 2019.

FIXED ASSETS: Premises K21,000 + Equipment K39,000 + Motor Vehicles K52,000 = K112,000.

CURRENT ASSETS: Stock K64,000 + Debtors K20,000 = K84,000.

CURRENT LIABILITIES: Bank Overdraft K24,500 + Creditors K17,500 = K42,000.

Answer: Net Current Assets = K84,000 – K42,000 = K42,000.

Answer: NET ASSETS = K112,000 + K42,000 = K154,000.

FINANCED BY:

Answer: Opening Capital K112,000 + Capital Introduced K30,000 + Net Profit K61,000 – Drawings K49,000 = K154,000. ✓

Question 4B(a). [SECTION B — Q4B ALTERNATIVE] Moonze Football Club. Calculate the Accumulated Fund at 1 January 2019.

STATEMENT OF AFFAIRS at 1 January 2019:

Assets: Bank K4,000 + Subscriptions in arrears K200 + Football equipment K3,300 + Stock of refreshments K600 = K8,100.

Liabilities: Subscriptions in advance K400 + Owing to suppliers of refreshments K350 = K750.

Answer: Accumulated Fund (1 Jan 2019) = K8,100 – K750 = K7,350.

Question 4B(b). Prepare the Subscriptions Account for the year.

SUBSCRIPTIONS ACCOUNT:

Dr: Balance b/d (arrears) K200 | Balance c/d (advance) K800 | I&E; (subscriptions income) K14,000 = K15,000.

Cr: Balance b/d (advance) K400 | Bank (received) K14,600 = K15,000.

Answer: Subscriptions income to Income & Expenditure = K14,000.

Question 4B(c). Prepare the Refreshments Trading Account for the year.

Purchases of refreshments = Cash paid K3,400 + Closing creditors K450 – Opening creditors K350 = K3,500.

Wages allocated to refreshment preparation = K2,000 (of the K5,000 total wages).

REFRESHMENTS TRADING ACCOUNT:

Sales K6,750.

Opening Stock K600 + Purchases K3,500 – Closing Stock K700 = Cost of refreshments consumed K3,400.

Add Wages (preparation) K2,000 → Total cost K5,400.

Answer: Profit on Refreshments = K6,750 – K5,400 = K1,350.

Question 4B(d). Prepare the Income and Expenditure Account and a Balance Sheet at 31 December 2019.

Collections at matches = banked K4,050 + unbanked cash K400 = K4,450.

Loss on sale of equipment = book value K1,100 – proceeds K700 = K400.

Equipment depreciation: Opening K3,300 + Additions K3,200 – Disposal (book value) K1,100 = K5,400 = Closing valuation K5,400 → depreciation NIL.

INCOME AND EXPENDITURE ACCOUNT:

Income: Subscriptions K14,000 + Collections K4,450 + Profit on Refreshments K1,350 = K19,800.

Expenditure: Rent of ground K8,600 + Wages (ground upkeep) K3,000 + Postage & stationery K1,800 + Sundry expenses K2,500 + Loss on sale of equipment K400 = K16,300.

Answer: Surplus of income over expenditure = K19,800 – K16,300 = K3,500.

BALANCE SHEET at 31 December 2019:

Fixed Assets: Football equipment at valuation K5,400.

Current Assets: Stock of refreshments K700 + Unbanked cash K400 + Bank K5,600 = K6,700.

Current Liabilities: Subscriptions in advance K800 + Owing to refreshment suppliers K450 = K1,250.

Answer: Net Current Assets = K6,700 – K1,250 = K5,450. NET ASSETS = K5,400 + K5,450 = K10,850.

Answer: Accumulated Fund: Opening K7,350 + Surplus K3,500 = K10,850. ✓

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