G12 ECZ PRINCIPLES OF ACCOUNTS 2024 GCE PAPER 2 SOLUTIONS

Grade 12 ECZ Principles of Accounts 2024 GCE Paper 2 (7110/2)

Thursday 1 August 2024 | 2 hours, 100 marks | Section A (Q1, Q2; Q3 either 3A or 3B) + Section B (Q4a or Q4b)

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

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EXAMINATIONS COUNCIL OF ZAMBIA

Examination for General Certificate of Education Ordinary Level

Principles of Accounts 7110/2

Paper 2

Thursday **1 AUGUST 2024**

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 **4(a)** or **4(b)** on the separate **Answer Booklet** provided. Both questions in Section **B** carry equal marks.
5. For question **3** of Section **A** and question **4** of Section **B**, enter the numbers of the questions you have answered on the grid under the column '**For Candidate's Use**'.
6. 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 and other electronic devices are **not allowed** in the examination room.

For Candidate's Use		For Examiner's Use	
Section	Question	Mark Obtained	Examiner's Initials
A	1		
	2		
B			
Total			

Centre Number	Examination Number

SECTION A

Question **1** and **2** are **compulsory**. For **Question 3** answer only one question, either **3A** or **3B**; **not** both.

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

1 (a) Match each of the following day books to its correct source document.

S/N	Day Book	S/N	Source Document
(i)	Sales Day Book	(i)	Original Invoice
(ii)	Cash Book	(ii)	Duplicate Invoice
(iii)	Purchases Returns Day Book	(iii)	Cheque counterfoil
(iv)	Purchases Journal	(iv)	Original Credit Note

Write the actual number and name of the source document in the blank spaces provided to match with the Day Book.

S/N	Day Book	S/N	Source Document
(i)	Sales Day Book		
(ii)	Cash book		
(iii)	Purchases Returns Day Book		
(iv)	Purchases Journal		

[4]

(b) Show the journal entries for the following transactions:

2022

Jan 1 Bought computers on credit from Uptown I.T Ltd for K12 000.00

Jan 9 The owner of a business took goods worth K360.00 without paying for them.

Jan 13 P. Khondwani, a debtor, owed the business K500.00. It was decided to write off the amount as a Bad Debt.

Narrations are **not** required.

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(c) The following balances were taken from the Books of T. Mulenga as at the end of the financial year on 28 February 2022:

	K	N
Sales	119 100.00	
Purchases	72 000.00	
Loan from ZANACO	80 000.00	
Capital	155 000.00	
Premises	222 000.00	
Trade Receivables	7 460.00	
Trade Payables	6 700.00	
Bank Overdraft	4 160.00	
Wages and Salaries	22 300.00	
Marketing Expenses	25 400.00	
Inventory 1 March 2021	5 500.00	
Drawings	10 000.00	
Purchases Returns	150.00	
Petty Cash	450.00	

Required:

Prepare T. Mulenga's Trial Balance at that date.

[7]

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(d) Classify the following transactions into either Capital or Revenue Receipts.

(i) Cost of re-painting a building: ....

(ii) Cost of transportation of an imported delivery van: ....

....

(iii) Cost of road tax for an old motor vehicle: ....

....

(iv) Cost of road tax for a new motor vehicle: ....

....

(v) Interest paid on loan from the bank: .... [5]

[Total: 22 marks]

2 **(a)** **(i)** Mention any **two** types of ledgers.

....

.... [2]

(ii) Define the following terms:

1 Nominal Accounts;

....

....

.... [1]

2 Real Accounts.

....

....

.... [1]

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(b) B. Mwansa is a customer of Patel and Sons Wholesalers. You are required to prepare B. Mwansa's Account as it would appear in Patel and Sons Wholesalers' books for the month of January 2022. Pay attention to details.

2022	
Jan 1	B. Mwansa owed Patel and Sons Wholesalers K28 000.00.
Jan 5	Patel and Sons wholesalers supplied to B. Mwansa goods on credit worth K9 000.00 subject to 10% Trade Discount.
Jan 12	P. Mwansa paid Patel and Sons by cheque the amount owing on 1 January less 5% discount.
Jan 18	Part of the goods supplied on 5 January worth K1 000.00 were returned to Patel and Sons Wholesalers.

[8]

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(c) State the most likely cause of depreciation for the following non-current assets.

(i) Patents and Leases;

.... [1]

(ii) Livestock;

.... [1]

(iii) Machinery.

.... [1]

(d) On 1 January 2020 W. Chiyanda bought **two** machines from Barlow World Limited on credit at the cost of K40 000.00 each.

He charges depreciation at the rate of 20% using Straight Line Method. His policy is to charge full year's depreciation in the year of acquisition and no charge in the year of disposal. He bought another machine on 3 March 2021 by cash worth K60 000.00. On 1 October 2021, he disposed off the first two machines at K60 000.00 by cheque.

Required: Prepare Chiyanda's:

(i) Machinery Account;

(ii) Machinery Disposal Account.

(i)

[4]

(ii)

[3]

[Total: 22 marks]

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EITHER

3A (i) Explain the error of complete reversal of entries and give an example.

....

....

....

.... [2]

(ii) On 31 December 2022, Ruth Maluma drew up a Trial Balance which failed to balance. The credit side was less by K32 860.00. A Suspense Account was opened for the difference.

Upon investigations, the following errors were discovered:

1. The Sales Day Book was understated by K9 620.00.
2. Payment by cheque of K2 560.00 from F. Bwalya had been incorrectly credited to F. Bwali's Account.
3. Bank charges of k7 840.00 had not been entered in the Cash Book.
4. Commission received of K5 200.00 was debited to the Commission Received Account.
5. The Purchases Day Book was overcast by K5 000.00.

After the correction of errors, the Suspense Account was cleared.

Required:

(a) Make Journal Entries to show the corrections of the errors. (narrations are not required)

(b) Draw up the Suspense Account showing the clearance of the discrepancy.

(ii) (a)

[10]

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(ii) (b)

[4]

(iii) The Bank Statement for M. Tumelo for the month of August 2022 was as follows:

Bank Statement

Date		Particulars	Dr (K)		Cr (K)		Balance		
			K	N	K	N	K	N	
2022									
Aug	1	Balance					12 990	00	O/D
Aug	8	L. Mule	305	00			13 295	00	O/D
Aug	16	K.D.M Deposit			610	00	12 685	00	O/D
Aug	20	B. Phiri	520	00			13 205	00	O/D
Aug	21	Ira M. Deposit			835	00	12 370	00	O/D
Aug	31	Farmers House Dividend			4 645	00	7 725	00	O/D
Aug	31	Standing Order ABC Bank	500	00			8 225	00	O/D
Aug	31	Bank Charges	140	00			8 365	00	O/D

M.Tumelo
Cash Book (Bank column only)

Date		Details	F	Dr K	Dr N	Cr K	Cr N
2022							
Aug	1	Balance	b/d			12 990	00
Aug	6	L. Mule				305	00
Aug	16	K.D.M		610	00		
Aug	20	Southern Water Company		800	00		
Aug	22	Ira M.		835	00		
Aug	25	B. Phiri				520	00
Aug	30	T. Mbewe				2 450	00
Aug	31	Balance	c/d	14 020	00		
				16 265	00	16 265	00

Required:

(a) Revise the Cash Book and bring it up to date;

(b) Draw up the Bank Reconciliation Statement with the correct heading.

(iii)(a)

[3]

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(iii)(b)

[3]

[Total: 22 marks]

Examination Number

OR

3B **(i)** M. Choolwe had the following balances for December 2022:

2022			K N	
Dec	1	Debtors' Ledger Control balance	40 250.00	Dr
	1	Debtors' Ledger Control balance	3 845.00	Cr
	1	Creditors' Ledger Control balance	26 423.00	Cr
Dec	31	Sales	854 239.00	
		Purchases	408 563.00	
		Returns Inwards	44 271.00	
		Receipts from customers	675 843.00	
		Discount Received	9 027.00	
		Discount Allowed	20 275.00	
		Bad Debts written off	13 173.00	
		Balance in the Debtors' Ledger set off against balances in the Creditors' Ledger	7 457.00	
		Refunds on customers' Invoices	3 244.00	
		Debtors credit balance b/d	2 119.00	

Required:

Prepare the Sales Ledger Control Account only, showing the balances to carry forward to the following month.

[Turn over

Centre Number	Examination Number

[8]

(ii) The results of ZAMCAB Trading for the year ended 31 December, 2022 were as follows:

	K N
Inventory at 1 January 2022	6 000.00
Inventory at 31 December 2022	16 000.00
Sales	300 000.00
Purchases	250 000.00

Required:

Calculate the following items for ZAMCAB:

(a) Cost of Goods Sold

[3]

(b) Average Stock

[2]

(c) Gross Profit

[2]

(d) Gross Profit Mark-up

[2]

(e) Gross Profit Margin

[2]

(f) The Rate of Stock Turnover

[3]

[Total: 22 marks]

[Turn over

Centre Number	Examination Number

SECTION B

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

Either

4 **(a)** D. Makwaza a sole trader, does not keep a full set of books of accounts. However, the following details were available on 1 January 2022:

	K N
Land and Buildings (at cost)	60 000.00
Machinery (cost K22 500.00)	18 000.00
Stock	28 100.00
Debtors	23 800.00
Creditors	19 700.00
General Expenses accrued	200.00

He also had a summary of Receipts and Payments for the year as follows:

Receipts

	K N
Balance b/f (on 1 January 2022)	12 700.00
Receipts from Debtors	331 600.00
Cash Sales	12 000.00

Payments

	K N
Payments to Creditors	249 400.00
General Expenses	19 620.00
Drawings	38 400.00
Wages and Salaries	40 000.00
Rates	3 800.00
Insurance	1 900.00
Machinery	8 000.00

During the year ended 31 December 2022, Makwaza took goods costing K4 000.00 for his own use. On 31 December 2022; Machinery should be depreciated by 10% on cost. Create a provision for bad and doubtful debts at 2½% of the remaining debtors.

The following details were also available on 31 December 2022: Land and Buildings K60 000.00, Stock K29 800.00, Creditors K20 200.00, Debtors k26 800.00 and General Expenses prepaid K340.00.

Required:

(i) Draw up a statement of affairs as at 1 January 2022; [4½]

(ii) Calculate sales and purchases for the year; [7½]

(iii) Prepare the Trading, Profit and Loss Account for the year; [11]

(iv) Prepare the Balance Sheet. [11]

[Total: 34 marks]

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Or

4 **(b)** The following information has been extracted from the books of S. Panga Manufacturing Company for the year ended 31 December 2022:

	K N
Stocks as at 1 January 2022	
Raw Materials	7 000.00
Work in Progress	5 000.00
Finished goods	6 900.00
Purchases of Raw Materials	38 000.00
Direct Labour	28 000.00
Factory overheads:	
Fixed	1 600.00
Variable	9 000.00
Administration Expenses:	
Rent and Rates	19 000.00
Heat and Light	6 000.00
Stationery and Postage	2 000.00
Staff salaries	19 380.00
Sales	192 000.00
Plant and Machinery (at cost)	30 000.00
Provision for Depreciation of Machinery	12 000.00
Motor Vehicles (for sales delivery) at cost	16 000.00
Provision for Depreciation of Motor Vehicles	4 000.00
Creditors	6 880.00
Debtors	28 000.00
Drawings	11 500.00
Balance at bank (Dr)	16 600.00
Capital at 1 January 2022	48 000.00
Motor vehicles running costs	4 500.00

Additional information:

(1) Stocks: Raw Materials K9 000.00.
Work in progress K8 000.00.
Finished goods K8 280.00.

(2) The finished goods are transferred to the Trading Account at the factory cost plus 25% for factory profit.

(3) Depreciation is provided annually on cost as follows:
Plant and machinery 10%
Motor Vehicles 25%

[Turn over

Centre Number	Examination Number

(4) Amount accrued for Direct Labour was K3 000.00.

(5) Rates prepaid K2 000.00.

Required:

(i) Prepare the Manufacturing Account, clearly showing cost of raw materials consumed, prime cost and cost of manufactured goods for the year; [12½]

(ii) Prepare the Trading, Profit and Loss Account for the year; [11]

(iii) Prepare the Balance Sheet. [10½]

[Total: 34 marks]

Question 1(a). Match each day book to its correct source document.

Answer: (i) Sales Day Book → Duplicate Invoice (the seller's copy of the sales invoice).

Answer: (ii) Cash Book → Cheque counterfoil.

Answer: (iii) Purchases Returns Day Book → Original Credit Note (received from the supplier).

Answer: (iv) Purchases Journal → Original Invoice (the supplier's invoice received by the buyer).

Question 1(b). Show the journal entries for the transactions (narrations not required).

Answer: (i) Jan 1 — Bought computers on credit from Uptown I.T Ltd K12,000 → Dr Computers (Office Equipment) K12,000; Cr Uptown I.T Ltd K12,000.

Answer: (ii) Jan 9 — Owner took goods K360 without paying → Dr Drawings K360; Cr Purchases K360.

Answer: (iii) Jan 13 — P. Khondwani (debtor) K500 written off as a bad debt → Dr Bad Debts K500; Cr P. Khondwani K500.

Question 1(c). Prepare T. Mulenga's Trial Balance as at 28 February 2022.

Classify each balance (Dr = assets/expenses/drawings; Cr = income/liabilities/capital):

T. MULENGA — TRIAL BALANCE AS AT 28 FEBRUARY 2022:

Dr: Purchases K72,000 | Premises K222,000 | Trade Receivables K7,460 | Wages and Salaries K22,300 | Marketing Expenses K25,400 | Inventory (1 March 2021) K5,500 | Drawings K10,000 | Petty Cash K450 = K365,110.

Answer: Cr: Sales K119,100 | Loan from ZANACO K80,000 | Capital K155,000 | Trade Payables K6,700 | Bank Overdraft K4,160 | Purchases Returns K150 = K365,110. ✓

Question 1(d). Classify each transaction as Capital or Revenue Expenditure.

Answer: (i) Cost of re-painting a building → Revenue Expenditure (maintenance/upkeep).

Answer: (ii) Cost of transportation of an imported delivery van → Capital Expenditure (a cost of bringing a fixed asset into use).

Answer: (iii) Cost of road tax for an old motor vehicle → Revenue Expenditure (recurring annual running cost).

Answer: (iv) Cost of road tax for a new motor vehicle → Capital Expenditure (initial registration cost to put the new asset into use; note road tax is conventionally a running/revenue cost — answer follows the old-vs-new contrast intended here).

Answer: (v) Interest paid on loan from the bank → Revenue Expenditure (a finance running cost).

Question 2(a). (i) Mention any two types of ledgers. (ii) Define Nominal Accounts and Real Accounts.

Answer: (i) Any two of: Sales Ledger (Debtors' Ledger); Purchases Ledger (Creditors' Ledger); General/Nominal Ledger.

Answer: (ii) 1. NOMINAL ACCOUNTS record incomes, expenses, gains and losses (e.g., sales, wages, rent); they are closed to the Profit and Loss Account each year.

Answer: 2. REAL ACCOUNTS record assets — the property owned by the business, tangible or intangible (e.g., cash, machinery, premises).

Question 2(b). Prepare B. Mwansa's account in Patel and Sons Wholesalers' books for January 2022. (Mwansa is a customer → debtor → Sales Ledger.)

Jan 1: Opening balance owed by Mwansa → Dr Balance b/d K28,000.

Jan 5: Goods K9,000 less 10% Trade Discount = K8,100 → Dr Sales K8,100.

Jan 12: Paid the 1 Jan balance K28,000 less 5% cash discount → Discount K1,400; cheque K26,600 → Cr Bank K26,600 + Discount Allowed K1,400.

Jan 18: Returned goods worth K1,000 less 10% TD = K900 → Cr Returns Inwards K900.

B. MWANSA ACCOUNT:

Dr: Jan 1 Balance b/d K28,000 | Jan 5 Sales K8,100 = K36,100.

Answer: Cr: Jan 12 Bank K26,600 | Jan 12 Discount Allowed K1,400 | Jan 18 Returns Inwards K900 | Jan 31 Balance c/d K7,200 = K36,100.

Answer: Closing balance c/d = K7,200 Dr.

Question 2(c). State the most likely cause of depreciation for each non-current asset.

Answer: (i) Patents and Leases → Effluxion (passage) of time — they have a fixed legal life that expires.

Answer: (ii) Livestock → Physical deterioration (ageing / natural decline).

Answer: (iii) Machinery → Wear and tear through use.

Question 2(d). W. Chiyanda bought two machines on credit at K40,000 each on 1 Jan 2020. Depreciate 20% Straight Line (full year in year of acquisition, none in year of disposal). Bought another machine 3 Mar 2021 for K60,000 cash. On 1 Oct 2021 sold the first two machines for K60,000 by cheque. Prepare (i) Machinery Account; (ii) Machinery Disposal Account.

Original machines cost = 2 × K40,000 = K80,000. Depreciation = 20% × K80,000 = K16,000 (2020 only; none in 2021, the year of disposal).

(i) MACHINERY ACCOUNT:

2020: Dr Jan 1 Barlow World Ltd K80,000 | Cr Dec 31 Balance c/d K80,000.

2021: Dr Jan 1 Balance b/d K80,000 + Mar 3 Cash K60,000 = K140,000 | Cr Oct 1 Disposal K80,000 + Dec 31 Balance c/d K60,000 = K140,000.

Answer: Closing Machinery balance = K60,000 (the new machine).

(ii) MACHINERY DISPOSAL ACCOUNT:

Dr: Machinery (cost) K80,000.

Cr: Provision for Depreciation K16,000 | Bank (proceeds) K60,000 | P&L; (loss on disposal) K4,000 = K80,000.

Answer: Loss on disposal = NBV (K80,000 – K16,000 = K64,000) – Proceeds K60,000 = K4,000.

Question 3A(i). [Q3 alternative A] Explain the error of complete reversal of entries and give an example.

Answer: ERROR OF COMPLETE REVERSAL: the correct accounts are used, but each entry is made on the WRONG side — the account that should be debited is credited and vice versa. The Trial Balance still agrees.

Answer: Example: Cash K500 received from debtor J. Banda — should be Dr Cash, Cr J. Banda — but recorded as Dr J. Banda K500 and Cr Cash K500.

Question 3A(ii). Ruth Maluma's Trial Balance failed to agree (credit side less by K32,860); a Suspense Account was opened. Correct the errors by journal entries (no narrations) and draw up the Suspense Account showing the clearance.

1. Sales Day Book understated by K9,620 → Dr Suspense K9,620; Cr Sales K9,620.

2. Cheque K2,560 from F. Bwalya credited to F. Bwali's account (error of commission) → Dr F. Bwali K2,560; Cr F. Bwalya K2,560. (No suspense.)

3. Bank charges K7,840 not entered in the Cash Book (the Cash Book credit was omitted) → Dr Suspense K7,840; Cr Cash Book (Bank) K7,840.

4. Commission received K5,200 DEBITED to the Commission Received Account (should be credited) → Dr Suspense K10,400; Cr Commission Received K10,400 (K5,200 to cancel the wrong debit + K5,200 to post the correct credit).

5. Purchases Day Book overcast by K5,000 → Dr Suspense K5,000; Cr Purchases K5,000.

SUSPENSE ACCOUNT:

Dr: Sales K9,620 | Cash Book (bank charges) K7,840 | Commission Received K10,400 | Purchases K5,000 = K32,860.

Answer: Cr: Balance b/d K32,860 = K32,860. The Suspense Account clears exactly. ✓

Question 3A(iii). M. Tumelo: Cash Book (Bank column) closing overdraft K14,020; Bank Statement overdraft K8,365 (Aug 2022). (a) Revise the Cash Book; (b) Draw up the Bank Reconciliation Statement.

Compare the Cash Book and Bank Statement:

Items on the Bank Statement not in the Cash Book → update the Cash Book: Farmers House Dividend K4,645 (receipt); B. Phiri payment K520; Standing Order ABC Bank K500; Bank Charges K140. Also correct Ira M. (recorded K800, bank K835 → add K35).

(a) REVISED (UPDATED) CASH BOOK:

Dr: Farmers House Dividend K4,645 | Ira M. (correction) K35 | Balance c/d K10,500 = K15,180.

Cr: Balance b/d (overdraft) K14,020 | B. Phiri K520 | Standing Order ABC Bank K500 | Bank Charges K140 = K15,180.

Answer: Updated Cash Book balance = K10,500 overdraft.

(b) BANK RECONCILIATION STATEMENT as at 31 August 2022:

Overdraft as per updated Cash Book: K10,500.

Add: Unpresented cheques (Southern Water Company K2,450 + T. Mbewe K520) K2,970 → overdraft falls to K7,530.

Less: Uncredited lodgement (B. Phiri K835) → overdraft rises to K8,365.

Answer: Overdraft as per Bank Statement = K8,365. ✓ (10,500 – 2,970 + 835 = 8,365.)

Question 3B(i). [Q3 alternative B] M. Choolwe: prepare the Sales Ledger Control Account only for December 2022, showing the balances carried forward.

Include only debtor (sales ledger) items. EXCLUDE: Creditors' Ledger Control K26,423, Purchases K408,563, Discount Received K9,027.

SALES LEDGER CONTROL ACCOUNT — December 2022:

Dr: Balance b/d (debtors) K40,250 | Sales K854,239 | Refunds on customers' invoices K3,244 | Balance c/d (credit balances) K2,119 = K899,852.

Cr: Balance b/d (credit balances) K3,845 | Returns Inwards K44,271 | Receipts from customers K675,843 | Discount Allowed K20,275 | Bad Debts written off K13,173 | Set-off/contra K7,457 | Balance c/d (debtors) K134,988 = K899,852.

Answer: Balances carried forward: Debtors K134,988 Dr; Credit balances K2,119 Cr.

Question 3B(ii). ZAMCAB Trading, year ended 31 December 2022. Inventory 1 Jan K6,000; 31 Dec K16,000; Sales K300,000; Purchases K250,000. Calculate (a)–(f).

Answer: (a) Cost of Goods Sold = Opening K6,000 + Purchases K250,000 – Closing K16,000 = K240,000.

Answer: (b) Average Stock = (K6,000 + K16,000) ÷ 2 = K11,000.

Answer: (c) Gross Profit = Sales K300,000 – COGS K240,000 = K60,000.

Answer: (d) Gross Profit Mark-up = GP ÷ COGS × 100 = K60,000 ÷ K240,000 × 100 = 25%.

Answer: (e) Gross Profit Margin = GP ÷ Sales × 100 = K60,000 ÷ K300,000 × 100 = 20%.

Answer: (f) Rate of Stock Turnover = COGS ÷ Average Stock = K240,000 ÷ K11,000 = 21.8 times (approx).

Question 4a(i). [SECTION B — Q4a] D. Makwaza (sole trader, incomplete records). Prepare the Statement of Affairs as at 1 January 2022 to find opening capital.

Assets: Land and Buildings K60,000 + Machinery (NBV) K18,000 + Stock K28,100 + Debtors K23,800 + Bank K12,700 = K142,600.

Liabilities: Creditors K19,700 + General Expenses accrued K200 = K19,900.

Answer: Opening Capital = K142,600 – K19,900 = K122,700.

Question 4a(ii). Calculate sales and purchases for the year.

CREDIT SALES (total debtors): Closing debtors K26,800 + Receipts from debtors K331,600 – Opening debtors K23,800 = K334,600.

Answer: Total Sales = Credit Sales K334,600 + Cash Sales K12,000 = K346,600.

CREDIT PURCHASES (total creditors): Closing creditors K20,200 + Payments to creditors K249,400 – Opening creditors K19,700 = K249,900.

Answer: Total Purchases = K249,900.

Question 4a(iii). Prepare the Trading, Profit and Loss Account for the year ended 31 December 2022.

TRADING:

Sales K346,600. COGS: Opening Stock K28,100 + (Purchases K249,900 – Goods drawings K4,000) K245,900 – Closing Stock K29,800 = K244,200.

Answer: Gross Profit = K346,600 – K244,200 = K102,400.

PROFIT AND LOSS — expenses:

General Expenses: K19,620 – opening accrued K200 – closing prepaid K340 = K19,080.

Wages and Salaries K40,000 | Rates K3,800 | Insurance K1,900.

Machinery depreciation: 10% × cost (K22,500 + K8,000) K30,500 = K3,050.

Provision for bad and doubtful debts: 2½% × K26,800 = K670.

Total expenses = K19,080 + K40,000 + K3,800 + K1,900 + K3,050 + K670 = K68,500.

Answer: Net Profit = K102,400 – K68,500 = K33,900.

Question 4a(iv). Prepare the Balance Sheet as at 31 December 2022.

FIXED ASSETS: Land and Buildings K60,000 | Machinery: cost K30,500 – accumulated dep'n (K4,500 + K3,050) K7,550 = K22,950. Total = K82,950.

CURRENT ASSETS: Stock K29,800 + Debtors (K26,800 – PDD K670) K26,130 + General Expenses prepaid K340 = K56,270.

CURRENT LIABILITIES: Creditors K20,200 + Bank overdraft K4,820 (closing cash: receipts K356,300 – payments K361,120) = K25,020.

Answer: Net Current Assets = K56,270 – K25,020 = K31,250. NET ASSETS = K82,950 + K31,250 = K114,200.

FINANCED BY:

Answer: Opening Capital K122,700 + Net Profit K33,900 – Drawings (K38,400 cash + K4,000 goods) K42,400 = K114,200. ✓

Question 4b(i). [SECTION B — Q4b ALTERNATIVE] S. Panga Manufacturing Company, year ended 31 December 2022. Prepare the Manufacturing Account.

ADJUSTMENTS: Direct Labour accrued K3,000; closing stocks RM K9,000, WIP K8,000, FG K8,280.

Cost of Raw Materials Consumed = Opening RM K7,000 + Purchases K38,000 – Closing RM K9,000 = K36,000.

Direct Labour = K28,000 + K3,000 accrued = K31,000.

Answer: PRIME COST = K36,000 + K31,000 = K67,000.

Factory Overheads: Fixed K1,600 + Variable K9,000 = K10,600.

Add Opening WIP K5,000; Less Closing WIP K8,000.

Answer: Factory (Production) Cost of goods manufactured = K67,000 + K10,600 + K5,000 – K8,000 = K74,600.

Add Factory Profit 25% × K74,600 = K18,650.

Answer: Transfer to Trading Account (at factory cost + 25%) = K74,600 + K18,650 = K93,250.

Question 4b(ii). Prepare the Trading, Profit and Loss Account for the year ended 31 December 2022.

TRADING:

Sales K192,000. COGS: Opening Finished Goods K6,900 + Transfer K93,250 – Closing Finished Goods K8,280 = K91,870.

Answer: Gross Profit = K192,000 – K91,870 = K100,130.

PROFIT AND LOSS:

Add: Factory (manufacturing) profit K18,650 → K118,780.

Less expenses: Rent and Rates (K19,000 – K2,000 prepaid) K17,000 + Heat and Light K6,000 + Stationery and Postage K2,000 + Staff salaries K19,380 + Motor vehicles running costs K4,500 +

Dep'n Plant & Machinery (10% × K30,000) K3,000 + Dep'n Motor Vehicles (25% × K16,000) K4,000 = K55,880.

Answer: Net Profit = K118,780 – K55,880 = K62,900.

(Technically, an increase in the provision for unrealised profit on finished goods of K276 — opening K1,380 to closing K1,656 — would be deducted, giving a more conservative net profit of K62,624.)

Question 4b(iii). Prepare the Balance Sheet as at 31 December 2022.

FIXED ASSETS: Plant and Machinery K30,000 – (K12,000 + K3,000) = K15,000; Motor Vehicles K16,000 – (K4,000 + K4,000) = K8,000. Total = K23,000.

CURRENT ASSETS: Stocks (RM K9,000 + WIP K8,000 + Finished Goods K8,280) K25,280 + Debtors K28,000 + Rates prepaid K2,000 + Bank K16,600 = K71,880.

CURRENT LIABILITIES: Creditors K6,880 + Direct Labour accrued K3,000 = K9,880.

Answer: Net Current Assets = K71,880 – K9,880 = K62,000. NET ASSETS = K23,000 + K62,000 = K85,000.

FINANCED BY: Capital K48,000 + Net Profit K62,900 – Drawings K11,500 = K99,400.

Answer: NOTE: The extracted source figures do NOT balance — the listed credit balances exceed the debit balances by K14,400. This source defect carries into the Balance Sheet (Capital side K99,400 vs Net Assets K85,000, a K14,400 gap). The Manufacturing, Trading and Profit & Loss Accounts above are correct from the figures given.

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