G9 ECZ BUSINESS STUDIES 2014 SPECIMEN PAPER 1 SOLUTIONS

Grade 9 ECZ Business Studies 2014 Specimen Paper 1 (609/1)

rs 30 minutes | Section A: 20 MCQ (20 marks) | Section B & C: office practice, bookkeeping and entrepreneurship (80 m

The full question paper appears first -- worked answers follow.

Preamble

Business Studies (606)

The Examinations Council of Zambia has developed the Grade 9 examination paper for Business Studies so as to be in line with the revised Junior Secondary School Curriculum of 2013 developed by Curriculum Development Centre (CDC) of the Ministry of Education, Science, Vocational Training and Early Education (MESVTEE). Business Studies is a new subject at this level and it is compulsory. It comprises office practice, bookkeeping and entrepreneurship.

The purpose of the specimen papers is to guide the teachers and would be candidates on the nature and content of the Grade 9 Business Studies examination which will begin to be administered in the 2015 examination session.

Assessment Aims and Objectives

The purpose of Business Studies examination is to assess learners against basic knowledge and understanding of office procedures, financial aspects and entrepreneurial ideas. The areas of assessment in each of the subject content are shown below;

Office

1. Identifying and/or stating functions and types of an office,
   Functions of each department, Job opportunities, equipment, stationery,
   Methods of filing,
2. Describing acceptable office etiquette and interpreting organisational charts, post and telecommunication services

Financial Aspects

1. Identifying and describing business transactions , Business and source documents , various methods of investments, financial institutions and services offered,
2. Explaining documents used in banking, recording, preparing and calculating Trial balance, Trading, Profit and loss account and balance sheet.
3. Explaining Capitals, time cards, wage sheets, payslips, net pays, the ledger, books of original entry.

Entrepreneural Aspects

1. Explaining and describing entrepreneurship and qualities of a good entrepreneur.
2. Explaining Entrepreneurial activities, documents needed for formation of different types of business, contents and functions of
3. a business plan, financing businesses and Business sheet.
4. Describing desirable business ethics.

EXAMINATIONS COUNCIL OF ZAMBIA

JUNIOR SECONDARY SCHOOL LEAVING EXAMINATION (GRADE 9) – 2014

BUSINESS STUDIES 609

(SPECIMEN)

(INTERNAL & EXTERNAL CANDIDATES)

TIME: TWO AND HALF HOURS (2½) **MARKS: 100**

INSTRUCTIONS TO CANDIDATES

1 You are given **ten (10)** minutes to: write your name, candidate number, school/centre name and code on the Answer Booklet, and read through the paper.

2 There are **three (3)** sections in this paper, Sections **A**, **B** and **C**.

3 Answer all the questions.

4 All answers for this examination must be written in the Answer Booklet.

Section A: Write the answer by marking a cross (X) on the Answer booklet provided.

For example if the answer is **D**

A	B	C	~~D~~

Section B and C: Write the answers in the Answer Booklet provided.

5 Do not start writing until you are told to do so.

Information for Candidates

Non programmable calculators may be used.

Cell phones are not allowed in the examination room.

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.

 This question paper consists of 10 printed pages.

Section A

Answer all the questions in this section in the answer booklet provided.

1 Which one of the following is not a function of an office?
- **A** Computing data
- **B** Analysing data
- **C** Manipulating data
- **D** Storing data

2 The filing of all documents of a firm in one common place is called • • •
- **A** subjected filing.
- **B** central filing.
- **C** departmental filing.
- **D** subjected filing.

3 An Entrepreneur is a person who • • •
- **A** runs a business and bears risks.
- **B** manages a big business
- **C** employs workers in the business.
- **D** organises business activities and shares of profits with other partners.

4 Which one of the following is not a reason that can lead to the dissolution of a company?
- **A** Sharing profits
- **B** End of time frame
- **C** Pay back of start up capital
- **D** End of financial year.

5 Which of the following is not an example of office equipment?
- **A** stencil.
- **B** stylus pen.
- **C** shredder.
- **D** guillotine.

6 The following are examples of business transactions:-

(i) Buying of goods and services while promising to pay for them later.

(ii) Cash payment for insurance K12 500.

(iii) The purchase of a motor van by cheque K45 000.

(iv) The sale of goods on credit to G. Inonge worth K20 000.

(v) Exchange 20kg salt for the same quantity of sugar.

Which of these transactions can be said to be credit transactions?

A (i) only
B (iv) only
C (i) and (iv)
D (i), (iv) and (v)

7 What business document can be used by the seller to remind the buyer about the amount of money owed for the goods and services earlier supplied?

A Statement of Accounts
B Invoice
C Advice note
D Credit note

8 The source document used to write up sales book is called • • •

A original invoice.
B copy invoice.
C top invoice.
D copy credit note.

9 Goods bought on credit and meant for re-sale are first entered in the • • •

A Purchases Account.
B Sales Account.
C Sales Journal.
D Purchases Journal.

10 Drawings Account is a good example of • • •

A Real Account.
B Personal Account.
C Nominal Account.
D Real and Personal Account

11 • • • is where customers accounts are recorded.

A Sales Ledger
B Purchases Ledger
C Suppliers Ledger
D General Ledger

12 If Bunda Malisa Holdings Limited recorded a gross profit of K1200 and a net profit of K900 at the end of the year. How much were the expenses?

A K2 100
B K300
C K2 400
D K1 800

13 The gross pay of a watchman is K2 500 and is required to pay 2% PAYE. How much does the worker take home?

A K2 500
B K50
C K2 450
D K2 550

14 Which of the following is not an example of a budget?

A Individual
B Home
C Country
D World

15 Which one of the following Bank Account is not an interest earning account?

A Deposit Account
B Current Account
C Savings Account
D Fixed Deposit Account

16 The postal service that allows a traveller to personally collect mail from the nearest post office while visiting another town is called • • •

A Express mail.
B Business Reply Service.
C Poste Restante.
D Courier Services.

17 C.W.O is one of the methods of payment used by mail order business. What does C.W.O stand for?

A Cash with order
B Cash with orderly
C Carry with order
D Cash with own

18 In which department in the organisation would you find the quality controllers?

A Procurement Department
B Maintenance Department
C Purchases Department
D Production Department

19 Which one of the following is not an Enterprise found in the community?

A Poaching
B Hair Salons
C Dairy
D Butchery

20 By what means is money usually withdrawn from a current account?

A Credit slip
B Withdrawal slip
C Cheque
D Deposit slip

[20 marks]

Section B

Answer all the questions in this section. Write your answers in the booklet in the spaces provided.

1 From the list below select the answers for the following questions.

(a) **(i)** Name the department which is responsible for changing raw materials into finished goods. [1]

(ii) Office workers must be submissive and faithful to their supervisors. [1]

WORD LIST:

Purchases Department, Raw Materials Department, Production Department, Sales Department. Appearance, loyalty, reliability, punctuality, courtesy.

(b) Arrange the following names alphabetically. [2]

(i) Queline K

(ii) Banda M

(iii) Zalina M

(i) Mongolia C

(c) **(i)** Telex and fax both use ________ for transmitting the message. [1]

(ii) ______________ is a call whereby the receiver pays and not the sender. ____________________________ [1]

WORD LIST:

Cellphone, teleprinter, telephone, internet, voicemail, radio message, reverse call, voice message

(d) The following are deductions which are likely to appear on a pay-slip. State whether the deductions below are either statutory or voluntary deductions. [4]

(i) Pay As You Earn
(ii) Pension Contribution
(iii) Stop Order
(iv) Loan

2 Complete the following sentences by stating whether the statement is true or false.

(a) **(i)** The exchange of goods for goods is called cash system. [1]

(ii) The sale of goods to J. Njungu paying after 30 days is called cheque transaction [1]

(b) Study the diagram below and answer the questions that follow:

INVOICE

80170

MUTABA COMPANY
P.O. BOX 84178
KABWE

TIBO RETAILERS
P.O. BOX 32174
LUSAKA

Qty	Description	Amount (K)	Total (K)
10	Shirts	100	(a)
20	Dresses	50	(b)
	Gross invoice price		(c)
	Less: 10% Trade discount		200
	Net invoice price		1 800

TERMS OF PAYMENT

1 week – 5%, 3 weeks – 2%, one month-net

E&O.E. MUTABA COMPANY

(i) How much was the total price for shirts? [1]

(ii) How much was the total price for dresses? [1]

(iii) Calculate the gross invoice price. [1]

(c) Draw and fill in a receipt with the following details. [3]

Current date

Buyers name: Victor Phiri

Seller's name: M.K Wholesalers

Receipt No. 9152

(d) What does the Abbreviation SWOT stand for? [1]

(e) Classify the following accounts under the appropriate heading (real, personal or nominal) [2]

	NAME OF ACCOUNT	CLASSIFICATION
(i)	Keelo Limited	
(ii)	Sales	
(iii)	Rent	
(iv)	Premises	

(f) The following Ledger Account appears in the books of Jaygin a trader.

DATE	DETAILS	F	DR (K)	CR (K)
2013				
Oct 1	Balance	b/f		4 500
Oct 1	Purchases journal			1 500
Oct 14	Bank		4 200	
Oct 15	?		300	
Oct 20	Purchases returns		150	
Oct 31	Balance	c/d		
Nov 1	Balance	b/d		

(i) What type of discount was given on 15th October 2013? [1]

(ii) What was the balance carried down for the above account? [2]

(iii) What source document was used on 20 October 2013. [1]

3 (a) (i) From the list below identify three ways of financing businesses. [3]

Word list:

Savings, bank loan, sole trader, partnership, limited company, leasing.

(ii) Identify any two documents needed for the formation of different types businesses from the list below. [2]

Word list:

Articles of partnership, articles of association, trading licence, purchasing licence, tax certificate.

(b) (i) State three methods of investment from the list below. [3]

Word list:

Farming, loans, overdraft, bonds, shares.

(ii) Naulonde earns a net salary of K3 500 and spends K2 000. He keeps the remainder as his saving. What was Naulonde's saving? [2]

(c) (i) Mr Malumo a farmer in Mkushi had K475 in his bank account, which is not enough to pay a sum of K700 to his workers. How much overdraft did he apply for from the bank? [2]

(ii) Identify any three financial institutions from the list below. [3]

Word list:

Commercial banks, supermarket, retailer, bureau de change, micro finance company, lending company.

SECTION C

Answer all questions in this section in the answer booklet provided.

1. Prepare the two column cash book for Magwaza from the following details and balance it off. **Do not** post to the ledger and **do not** extract a trial balance.

2014

July 1 Started business with cash at hand K3 000 and cash at bank K4 000.

3 Bought a motor van for K1 500 cash and hammer mill for K1 200 by cheque

6 Paid wages and salaries by cash K500

8 Bought goods by cheque K200

10 Sold goods by cash K700

18 Thabo paid by cheque K1 000

21 Withdraw cash K250 from the bank for office use

25 Paid for electricity cash K350 [10]

2. The following balances were extracted from the ledger of Simukanga. You are required to **prepare** a Trial Balance as at 31 March 2014.

	K
Sales	3 574
Purchases	1 240
Capital	4 484
Drawings	583
Stock 1st April 2013	932
Electricity	183
Bank overdraft	106
Debtors	890
Creditors	798
Carriage inwards	97
Discount received	37
Office equipment	2 454
Returns inwards	216
Returns outwards	314
Carriage outwards	48
Land and buildings	2 560
Cash in hand	110

[10]

3. The following list of balances were extracted from Hanyinda's books as at 31 December 2013

Sales	200 000
Purchases	80 000
Returns outwards	2 000
Opening stock	20 000
Closing stock	10 000
Carriage inwards	4 000
Advertising	9 000
Drawings	18 000
Discount received	23 000
Discount allowed	11 500
Land and building	150 000
Furniture	20 000
Cash at bank	13 000
Debtors	26 000
Creditors	18 000
Cash in hand	7 000
Motor car	34 000
Commission received	8 500
Stationery	12 000
Wages and salaries	16 500
Capital	79 500
Mortgage	90 000

You are required to prepare:

(a) The Trading and Profit and Loss Account for the year ended 31 December 2013. [10]

(b) The Balance Sheet as at 31 December 2013. [10]

Question 1. Which one of the following is not a function of an office? (A) Computing data (B) Analysing data (C) Manipulating data (D) Storing data

Answer: A (judgment call) -- analysing, manipulating and storing data are the classic office/data-handling functions taught in this syllabus; 'computing' is not separately listed as one of them.

Question 2. The filing of all documents of a firm in one common place is called... (A) subjected filing (B) central filing (C) departmental filing (D) subjected filing

Answer: B -- keeping all of a firm's documents together in one common place is central filing.

Question 3. An Entrepreneur is a person who... (A) runs a business and bears risks (B) manages a big business (C) employs workers in the business (D) organises business activities and shares of profits with other partners

Answer: A -- an entrepreneur organises and runs a business venture while bearing its risks.

Question 4. Which one of the following is not a reason that can lead to the dissolution of a company? (A) Sharing profits (B) End of time frame (C) Pay back of start up capital (D) End of financial year

Answer: A (judgment call) -- sharing profits among owners is a normal, ongoing part of running a business and has nothing to do with dissolving the company, unlike the end of an agreed time frame or repayment of start-up capital, which can be dissolution triggers.

Question 5. Which of the following is not an example of office equipment? (A) stencil (B) stylus pen (C) shredder (D) guillotine

Answer: B (judgment call) -- a stencil, shredder and guillotine are classic pieces of office equipment in this syllabus; a stylus pen is not listed among them.

Question 6. The following are examples of business transactions: (i) Buying of goods and services while promising to pay for them later. (ii) Cash payment for insurance K12 500. (iii) The purchase of a motor van by cheque K45 000. (iv) The sale of goods on credit to G. Inonge worth K20 000. (v) Exchange 20kg salt for the same quantity of sugar. Which of these transactions can be said to be credit transactions? (A) (i) only (B) (iv) only (C) (i) and (iv) (D) (i), (iv) and (v)

Answer: C -- (i) and (iv) both involve paying/being paid later (credit); (ii) and (iii) are cash/cheque (immediate payment) transactions, and (v) is a barter (exchange of goods for goods), not a credit transaction.

Question 7. What business document can be used by the seller to remind the buyer about the amount of money owed for the goods and services earlier supplied? (A) Statement of Accounts (B) Invoice (C) Advice note (D) Credit note

Answer: A -- a Statement of Accounts is sent periodically to remind a buyer of the outstanding balance owed.

Question 8. The source document used to write up the sales book is called... (A) original invoice (B) copy invoice (C) top invoice (D) copy credit note

Answer: B -- the seller keeps a copy invoice of each sale, which is the source document used to write up the sales book/journal.

Question 9. Goods bought on credit and meant for re-sale are first entered in the... (A) Purchases Account (B) Sales Account (C) Sales Journal (D) Purchases Journal

Answer: D -- credit purchases of goods for resale are first recorded in the Purchases Journal (Purchases Day Book).

Question 10. Drawings Account is a good example of... (A) Real Account (B) Personal Account (C) Nominal Account (D) Real and Personal Account

Answer: B -- Drawings Account records the owner's withdrawals and is classified as a Personal Account (the owner's own account).

Question 11. ... is where customers accounts are recorded. (A) Sales Ledger (B) Purchases Ledger (C) Suppliers Ledger (D) General Ledger

Answer: A -- customers' (debtors') individual accounts are recorded in the Sales Ledger.

Question 12. If Bunda Malisa Holdings Limited recorded a gross profit of K1200 and a net profit of K900 at the end of the year, how much were the expenses? (A) K2 100 (B) K300 (C) K2 400 (D) K1 800

Answer: B -- Expenses = Gross profit - Net profit = K1200 - K900 = K300.

Question 13. The gross pay of a watchman is K2 500 and is required to pay 2% PAYE. How much does the worker take home? (A) K2 500 (B) K50 (C) K2 450 (D) K2 550

Answer: C -- PAYE = 2% x K2500 = K50; take-home pay = K2500 - K50 = K2450.

Question 14. Which of the following is not an example of a budget? (A) Individual (B) Home (C) Country (D) World

Answer: D -- individuals, households and countries all commonly prepare budgets; there is no single 'World' budget.

Question 15. Which one of the following Bank Accounts is not an interest earning account? (A) Deposit Account (B) Current Account (C) Savings Account (D) Fixed Deposit Account

Answer: B -- a Current Account is mainly used for everyday transactions and does not earn interest, unlike deposit, savings and fixed deposit accounts.

Question 16. The postal service that allows a traveller to personally collect mail from the nearest post office while visiting another town is called... (A) Express mail (B) Business Reply Service (C) Poste Restante (D) Courier Services

Answer: C -- Poste Restante lets a traveller collect their held mail in person from a post office in another town.

Question 17. C.W.O is one of the methods of payment used by mail order business. What does C.W.O stand for? (A) Cash with order (B) Cash with orderly (C) Carry with order (D) Cash with own

Answer: A -- C.W.O. stands for Cash With Order.

Question 18. In which department in the organisation would you find the quality controllers? (A) Procurement Department (B) Maintenance Department (C) Purchases Department (D) Production Department

Answer: D -- quality controllers, who check that goods produced meet required standards, are found in the Production Department.

Question 19. Which one of the following is not an Enterprise found in the community? (A) Poaching (B) Hair Salons (C) Dairy (D) Butchery

Answer: A -- poaching is an illegal activity, not a legitimate community enterprise; hair salons, dairy and butchery businesses are all legitimate enterprises.

Question 20. By what means is money usually withdrawn from a current account? (A) Credit slip (B) Withdrawal slip (C) Cheque (D) Deposit slip

Answer: C -- money is usually withdrawn from a current account by writing a cheque.

Question Section B - Q1. (a)(i) Name the department responsible for changing raw materials into finished goods (from a word list). [1] (ii) Office workers must be submissive and faithful to their supervisors -- name the quality this describes (from the word list: appearance, loyalty, reliability, punctuality, courtesy). [1] (b) Arrange the following names alphabetically: Queline K, Banda M, Zalina M, Mongolia C. [2] (c)(i) Telex and fax both use ___ for transmitting the message (from a word list). [1] (ii) ___ is a call whereby the receiver pays and not the sender (from a word list). [1] (d) State whether the following pay-slip deductions are statutory or voluntary: (i) Pay As You Earn [1] (ii) Pension Contribution [1] (iii) Stop Order [1] (iv) Loan [1]

(a)(i)

Answer: Production Department.

(a)(ii)

Answer: Loyalty.

(b)

Answer: In alphabetical (surname-first) order: Banda M, Mongolia C, Queline K, Zalina M.

(c)(i)

Answer: Telephone (telex and fax both transmit their message over the telephone line/network).

(c)(ii)

Answer: A reverse call (reverse-charge call).

(d)(i)

Answer: Pay As You Earn (PAYE) -- statutory (a legally required tax deduction).

(d)(ii)

Answer: Pension Contribution -- statutory (a legally required contribution, e.g. to NAPSA).

(d)(iii)

Answer: Stop Order -- voluntary (arranged by the employee to pay a third party, e.g. a store account).

(d)(iv)

Answer: Loan -- voluntary (a repayment the employee has voluntarily arranged with a lender).

Question Section B - Q2. (a) Complete the following sentences by stating whether the statement is true or false: (i) The exchange of goods for goods is called cash system. [1] (ii) The sale of goods to J. Njungu paying after 30 days is called cheque transaction. [1] (b) An invoice shows 10 shirts at K100 each (total (a)), 20 dresses at K50 each (total (b)), gross invoice price (c), less 10% trade discount K200, net invoice price K1 800. (i) How much was the total price for shirts? [1] (ii) How much was the total price for dresses? [1] (iii) Calculate the gross invoice price. [1] (c) Draw and fill in a receipt with the given details (current date; buyer: Victor Phiri; seller: M.K Wholesalers; Receipt No. 9152). [3] (d) What does the abbreviation SWOT stand for? [1] (e) Classify the following accounts as real, personal or nominal: (i) Keelo Limited (ii) Sales (iii) Rent (iv) Premises. [2] (f) A ledger account in Jaygin's books shows: Oct 1 Balance b/f Cr 4 500; Oct 1 Purchases journal Cr 1 500; Oct 14 Bank Dr 4 200; Oct 15 (an unnamed item) Dr 300; Oct 20 Purchases returns Dr 150; Oct 31 Balance c/d; Nov 1 Balance b/d. (i) What type of discount was given on 15th October 2013? [1] (ii) What was the balance carried down for the above account? [2] (iii) What source document was used on 20 October 2013? [1]

(a)(i)

Answer: False -- exchanging goods for goods (with no cash involved) is barter, not the cash system.

(a)(ii)

Answer: False -- selling goods and being paid 30 days later is a credit transaction, not a cheque transaction.

(b)(i)

Answer: K1 000 (10 shirts x K100).

(b)(ii)

Answer: K1 000 (20 dresses x K50).

(b)(iii)

Answer: Gross invoice price = K1 000 + K1 000 = K2 000 (which reconciles: K2 000 less 10% trade discount of K200 = the net invoice price of K1 800 given).

(c)

Answer: A receipt headed 'M.K Wholesalers', No. 9152, dated with the current date, reading: 'Received from Victor Phiri the sum of K___, being payment for ___', signed by M.K Wholesalers. (The amount and purpose are not specified in the question, so the receipt format is shown with these left blank for the candidate to fill in as instructed.)

(d)

Answer: SWOT stands for Strengths, Weaknesses, Opportunities, Threats.

(e)(i)

Answer: Keelo Limited -- Personal Account.

(e)(ii)

Answer: Sales -- Nominal Account.

(e)(iii)

Answer: Rent -- Nominal Account.

(e)(iv)

Answer: Premises -- Real Account.

(f)(i)

Answer: Discount Received -- since this is a supplier's (creditor's) account and the K300 entry appears on the debit side (reducing what is owed), it represents discount received from the supplier.

(f)(ii)

Answer: Credit-side total (Oct1 Balance b/f K4 500 + Purchases journal K1 500) = K6 000; debit-side entries (Bank K4 200 + discount received K300 + Purchases returns K150) = K4 650. Balance c/d on 31 Oct = K6 000 - K4 650 = K1 350 (carried down as a credit balance, since Jaygin owes this supplier money), brought down on 1 Nov as Balance b/d of K1 350 on the credit side.

(f)(iii)

Answer: A Debit Note (used to record goods returned to the supplier, i.e. purchases returns).

Question Section B - Q3. (a)(i) From a word list (savings, bank loan, sole trader, partnership, limited company, leasing), identify three ways of financing businesses. [3] (ii) From a word list (articles of partnership, articles of association, trading licence, purchasing licence, tax certificate), identify any two documents needed for the formation of different types of businesses. [2] (b)(i) From a word list (farming, loans, overdraft, bonds, shares), state three methods of investment. [3] (ii) Naulonde earns a net salary of K3 500 and spends K2 000, keeping the remainder as savings. What was Naulonde's saving? [2] (c)(i) Mr Malumo, a farmer in Mkushi, had K475 in his bank account, which was not enough to pay K700 to his workers. How much overdraft did he apply for from the bank? [2] (ii) From a word list (commercial banks, supermarket, retailer, bureau de change, micro finance company, lending company), identify any three financial institutions. [3]

(a)(i)

Answer: Three ways of financing businesses: savings, bank loan, and leasing (sole trader, partnership and limited company are types/forms of business, not financing methods).

(a)(ii)

Answer: Any two: articles of partnership (needed to form a partnership) and articles of association (needed to form a limited company).

(b)(i)

Answer: Three methods of investment: loans (lending money out to earn interest), bonds, and shares (farming is a business activity rather than an investment method, and an overdraft is a form of borrowing, not investing).

(b)(ii)

Answer: Saving = Net salary - Spending = K3 500 - K2 000 = K1 500.

(c)(i)

Answer: Overdraft needed = K700 - K475 = K225.

(c)(ii)

Answer: Any three: commercial banks, bureau de change, and micro finance company (a supermarket and retailer are not financial institutions).

Question Section C - Q1. Prepare the two column cash book for Magwaza from the following details and balance it off (do not post to the ledger or extract a trial balance). 2014: July 1 Started business with cash at hand K3 000 and cash at bank K4 000. July 3 Bought a motor van for K1 500 cash and a hammer mill for K1 200 by cheque. July 6 Paid wages and salaries by cash K500. July 8 Bought goods by cheque K200. July 10 Sold goods by cash K700. July 18 Thabo paid by cheque K1 000. July 21 Withdrew cash K250 from the bank for office use. July 25 Paid for electricity cash K350. [10]

Two-column cash book (Cash | Bank), Magwaza:

Answer: Debit (receipts) side: Jul 1 Capital -- Cash K3 000, Bank K4 000; Jul 10 Sales -- Cash K700; Jul 18 Thabo -- Bank K1 000; Jul 21 Bank (contra) -- Cash K250. Cash column debit total = K3 000 + K700 + K250 = K3 950. Bank column debit total = K4 000 + K1 000 = K5 000.

Answer: Credit (payments) side: Jul 3 Motor van -- Cash K1 500; Jul 3 Hammer mill -- Bank K1 200; Jul 6 Wages and salaries -- Cash K500; Jul 8 Purchases -- Bank K200; Jul 21 Cash (contra) -- Bank K250; Jul 25 Electricity -- Cash K350. Cash column credit total = K1 500 + K500 + K350 = K2 350. Bank column credit total = K1 200 + K200 + K250 = K1 650.

Answer: Balancing off: Cash column balance c/d = K3 950 - K2 350 = K1 600. Bank column balance c/d = K5 000 - K1 650 = K3 350. These balances (Cash K1 600, Bank K3 350) are brought down on 1 August as the opening debit balances.

Question Section C - Q2. The following balances were extracted from the ledger of Simukanga. You are required to prepare a Trial Balance as at 31 March 2014: Sales 3 574; Purchases 1 240; Capital 4 484; Drawings 583; Stock 1st April 2013: 932; Electricity 183; Bank overdraft 106; Debtors 890; Creditors 798; Carriage inwards 97; Discount received 37; Office equipment 2 454; Returns inwards 216; Returns outwards 314; Carriage outwards 48; Land and buildings 2 560; Cash in hand 110. [10]

Trial Balance as at 31 March 2014, Simukanga:

Answer: Debit column: Purchases 1 240; Drawings 583; Stock (1 Apr 2013) 932; Electricity 183; Debtors 890; Carriage inwards 97; Office equipment 2 454; Returns inwards 216; Carriage outwards 48; Land and buildings 2 560; Cash in hand 110. Debit total = K9 313.

Answer: Credit column: Sales 3 574; Capital 4 484; Bank overdraft 106; Creditors 798; Discount received 37; Returns outwards 314. Credit total = K9 313 -- the trial balance balances.

Question Section C - Q3. The following list of balances were extracted from Hanyinda's books as at 31 December 2013: Sales 200 000; Purchases 80 000; Returns outwards 2 000; Opening stock 20 000; Closing stock 10 000; Carriage inwards 4 000; Advertising 9 000; Drawings 18 000; Discount received 23 000; Discount allowed 11 500; Land and building 150 000; Furniture 20 000; Cash at bank 13 000; Debtors 26 000; Creditors 18 000; Cash in hand 7 000; Motor car 34 000; Commission received 8 500; Stationery 12 000; Wages and salaries 16 500; Capital 79 500; Mortgage 90 000. You are required to prepare: (a) The Trading and Profit and Loss Account for the year ended 31 December 2013. [10] (b) The Balance Sheet as at 31 December 2013. [10]

(a)

Answer: Trading Account: Sales K200 000. Cost of goods sold = Opening stock K20 000 + Purchases K80 000 - Returns outwards K2 000 + Carriage inwards K4 000 - Closing stock K10 000 = K92 000. Gross profit = K200 000 - K92 000 = K108 000. Profit and Loss Account: Gross profit K108 000, plus Discount received K23 000 and Commission received K8 500, giving total income of K139 500; less expenses (Advertising K9 000 + Discount allowed K11 500 + Stationery K12 000 + Wages and salaries K16 500 = K49 000). Net profit = K139 500 - K49 000 = K90 500.

(b)

Answer: Balance Sheet as at 31 December 2013: Fixed assets -- Land and building K150 000, Furniture K20 000, Motor car K34 000, total K204 000. Current assets -- Closing stock K10 000, Debtors K26 000, Cash at bank K13 000, Cash in hand K7 000, total K56 000. Total assets = K260 000. Financed by: Capital K79 500 + Net profit K90 500 - Drawings K18 000 = K152 000; plus liabilities -- Creditors K18 000 and Mortgage (long-term liability) K90 000, total liabilities K108 000. Capital + Liabilities = K152 000 + K108 000 = K260 000, which balances with total assets.

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