ZIMSEC

For Performance Measurement

Zimbabwe School Examinations Council

GENERAL CERTIFICATE OF EDUCATION
ORDINARY LEVEL

PRINCIPLES OF ACCOUNTS 7112

Past Question Papers and Expected Answers

June 2006 - November 2009 Examinations

Zimbabwe School Examinations Council
Upper East Road
Mount Pleasant
Harare

FOREWORD

This is the second series of the Zimbabwe School Examinations Council Question and Answer Booklets at the Ordinary Level of the General Certificate of Education. The booklet is made up of question papers and suggested answers for past examinations. The Council hopes that the booklet will help both teachers and students in their preparation for examinations.

For Performance Measurement

ZIMBABWE SCHOOL EXAMINATIONS COUNCIL

General Certificate of Education Ordinary Level

PRINCIPLES OF ACCOUNTS 7112/1

PAPER 1

JUNE 2006 SESSION **3 hours**

Additional materials:
Answer paper
Multi-column accounting paper (8 sheets)

TIME 3 hours

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces provided on the answer paper.
Answer **all** questions in Section A and any **two** questions from Section B.
Write your answers on the separate answer paper provided.
Start each question on a separate page.
If an answer extends beyond one sheet, all the sheets for that question must be kept together.
All calculations must be shown adjacent to the answer.
Calculators must not be used.
If you use more than one sheet of paper, fasten the sheets together.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [ ] at the end of each question or part question.

This question paper consists of 8 printed pages.

Section A

Answer **all** questions in this section.

1 Rufaro Social Club had the following assets and liabilities on 1 January 2005:

	$
Subscriptions paid in advance	8 000
Subscriptions due but unpaid	12 000
Stock of stationery	2 000
Clubhouse at cost	2 000 000
Furniture at cost	150 000
Stock of refreshments	380 000
Creditors for refreshment supplies	200 000
Prepaid electricity	10 000

The following information relates to the Club's affairs for the year ended 31 December 2005:

Receipts and Payments Accounts for the year ended 31 December 2005

RECEIPTS	$	PAYMENTS	$
Balance, 1 January 2005	440 000	Repainting of clubhouse	300 000
Subscriptions	804 000	Stationery	90 000
Sales of refreshments	950 000	Purchase of refreshements	750 000
Raffle tickets	200 000	Secretary expenses	200 000
Donations	85 000	Electricity	110 000
		Purchase of second hand furniture (1 October 2005)	100 000
		Travelling expenses	210 000
		Raffle expenses	70 000
		Balance (31 December 2005)	649 000
	2 479 000		2 479 000

Additional information on 31 December 2005 was as follows:

(i) Subscriptions owing amounted to $40 000.

(ii) Subscriptions prepaid amounted to $16 000.

(iii) Stock of refreshments were valued at $480 000.

(iv) Creditors for refreshments supplies totalled $150 000.

(v) Clubhouse was revalued to $3 000 000. No depreciation was to be charged on the clubhouse.

(vi) Depreciation on office furniture is to be 10% per annum on cost for each month of ownership.

You are required to:

(a) calculate the Accumulated Fund at 1 January 2005. [3]

(b) prepare the Refreshments Trading Account for the year ended 31 December 2005. [4]

(c) prepare the Income and Expenditure Account for the year ended 31 December 2005. [9]

(d) prepare the Balance Sheet as at 31 December 2005. [10]

2 (a) Distinguish between Capital Expenditure and Revenue Expenditure. [4]

(b) State which of the following are Capital Expenditure and Revenue Expenditure.

(i) Purchase of packaging materials on credit from Ndonga Ltd.

(ii) Payment by cheque for adapting existing machinery to improve its manufacturing performance.

(iii) Import duty on machinery parts needed for item (ii) above, paid by cheque.

(iv) Payment in cash for carriage on purchases.

(v) Purchase of fuel for business vehicles on credit from Mpopoma Motors. [5]

(c) State the account to be ***debited*** and the one to be ***credited*** in **each** of the above transactions **(i)** to **(v)**. [10]

3 Munashe and Nkosi are equal partners. Their balance sheet was as follows:

Balance Sheet as at 31 December 2005

		$		$
Capitals:	Munashe	150 000	Furniture	40 000
	Nkosi	150 000	Machine	70 000
Loan: United Bank		50 000	Motor vans	190 000
Creditors		4 500	Stock	15 000
Accrued rent		500	Debtors	10 000
			Bank	30 000
		355 000		355 000

On 1 January 2006, they decided to admit Patel, their Finance Manager, as a partner on the following conditions:

(i) Patel was to bring into the business furniture valued at $60 000 and $24 000 cash.

(ii) Patel was to be paid an annual salary of $50 000.

(iii) Goodwill was valued at $30 000 and would remain in the books after admitting Patel.

(iv) Profits and Losses are to be shared amongst Munashe, Nkosi and Patel in the ratio 2: 2: 1 respectively.

(v) The assets were to be revalued as follows:

	$
Motor vans	200 000
Machine	67 000
Stock	14 000

You are required to prepare:

(a) Capital Accounts for the **three** partners. [9]

(b) An opening balance sheet for the new partnership as at 1 January 2006. [[illegible]]

4 F. Muleya is the proprietor of a bookshop selling books, periodicals, newspapers, children's games and toys. Her business is divided into two departments:

Department A: sells books, periodicals and newspapers.
Department B: sells games and toys.

The following information was extracted from her books on 30 June 2006.

Stocks on 1 January 2006:

200 books at $250 each
50 periodicals at $100 each
50 newspapers at $50 each
25 games at $1000 each
10 toys at $500 each.

Purchases up to 30 June 2006:
Books, periodicals and newspapers $155 000
Games and toys $250 000

Sales up to 30 June 2006:
Books, periodicals and newspapers $360 000
Games and toys $450 000.

Stocks on 30 June 2006:
Books, periodicals and newspapers $61 000
Games and toys $70 000

The following additional information is available:

(i) Carriage inwards amounted to $30 000. This should be shared between departments A and B in the ratio of 1:5 respectively.

(ii) Warehouse rent incurred for the six months to 30 June 2006 totalled $101 250. Apportion the rent to the two departments in the ratio of sales made.

You are required to.

(a) prepare the Departmental Trading Account for the **two** departments, A and B, in **columnar** form for the six months ending 30 June 2006, showing clearly the gross profit or loss for each department. [10]

(b) State **two** characteristics of a preference share. [2]

SECTION B

Answer any **two** questions from this section

5 (a) B. Brown Limited prepares its Balance Sheet on 31 December each year.

The following information is available in its books:

Debtors on 31 December	$
2000	61 200
2001	67 800
2002	63 600

The provision for bad debts is maintained at 5% of debtors.

You are required to:

(i) prepare the Provision for Bad Debts Account for the years 2001 and 2002. [6]

(ii) show the Balance Sheet (**extracts**) as at 31 December 2001 and 2002. [2]

Pay special attention to dates and detail

(b) The following transactions relate to the business of B. Banda, a stationery dealer.

2006		
May 1	Stock of unused stationery	4 000
15	Bought stationery by cheque	6 000
25	Bought stationery on credit from T. Stationers	5 000
31	Stock of unused stationery	3 000

Prepare and balance the Stationery Account, paying particular attention to dates and detail. [5]

6 D. Dingani operates a business as a retailer. During the year ended 31 March 2005, the business made a gross profit of $33\frac{1}{3}\%$ on a turnover of \$930 000. The net profit was 15% of turnover. Her rate of stock turnover was 10 times. The opening stock was \$60 000.

Calculate for the year:

(a) the gross profit. [2]

(b) cost of sales. [2]

(c) the closing stock. [3]

(d) purchases. [2]

(e) expenses. [2]

(f) the mark-up. [2]

7 The following is T. Tatenda's Balance Sheet as at 31 March 2004:

LIABILITIES	\$	ASSETS	\$
Capital	50 000	Premises	80 000
Long-term loan	70 000	Equipment	20 000
Creditors	10 000	Stock	15 000
Interest due on loan	5 000	Debtors	8 000
		Prepaid rates	2 000
		Bank	10 000
	135 000		135 000

(a) You are required to calculate, **showing clearly your working**, Tatenda's working capital at 31 March 2004. [3]

(b) State the effect, if any, on the working capital on each of the following transactions. Write down **increase, decrease or no effect** as your answer.

(i) New equipment was bought by cheque for \$18 000.

(ii) Tatenda bought stock on credit for \$5 500.

(iii) Bad debts of \$1 200 were written off.

(iv) A further long-term loan of \$15 000 was obtained and the funds put into the bank account.

(v) The loan interest in the Balance Sheet was paid off.

(vi) Stock at book value of \$6 000 was sold for \$9 000 cash.

(vii) Trade creditors were paid \$3 500 by cheque.

(viii) Tatenda sold her private car and paid the proceeds of \$12 500 into the business bank account.

(ix) A former customer, whose debt of \$1 500 had been written off in 2003, unexpectedly paid the amount he owed.

(x) Equipment was depreciated by \$ 2 000. [10]

ZIMBABWE SCHOOL EXAMINATIONS COUNCIL

General certificate of education ordinary level

POSSIBLE ANSWERS

JUNE 2006

PRINCIPLES OF ACCOUNTS 7112/1

JUNE 2006

Hints and Workings

This question is testing your knowledge on the preparation of Final Accounts for non-profit making organizations. Remember that the principles applied on single entry to deduce missing figures also apply on this topic. Therefore a lot of calculations must be done before answering the question, e.g.

(W1)

Subscriptions Account

	$		$
Subscriptions due b/d	12 000	Subscriptions prepaid b/d	8 000
Income and expenditure	824 000	Bank	804 000
subscriptions prepaid c/d	16 000	Subscriptions due c/d	40 000
	852 000		**852 000**
Subscriptions due b/d	40 000	Subscriptions prepaid b/d	16 000

(W2)

Creditors for refreshments Account

	$		$
Bank	750 000	Balance b/d	200 000
Balance c/d	150 000	Purchases	700 000
	900 000		**900 000**
		Balance b/d	150 000

(W3)

Stationery Account

	$		$
Balance b/d	2 000	Income and expenditure	92 000
Bank	90 000		
	92 000		**92 000**

(W4)

Calculation of depreciation on Office Furniture

$$\frac{10}{1\cancel{00}} \times 150\ 0\cancel{00} = \$15\ 000$$

$$\frac{10}{1\cancel{00}} \times 100\ 0\cancel{00} \times \frac{3}{12} = \$2\ 500$$

NB. Take note of the following terms:

Surplus income over expenditure or excess expenditure over income in place of Net Profit or Net Loss.
Accumulated Fund instead of Capital.

(W5) Profit on revaluation of Club House 3 000 000 – 2 000 000
= **1 000 000**

Question 1 (a) - Calculation of Accumulated Fund

Assets		$
Subscriptions due		12 000
Stock of stationery		2 000
Clubhouse		2 000 000
Furniture		150 000
Stock of refreshments		380 000
Prepaid electricity		10 000
Bank		440 000
		2 994 000
Less: Liabilities		
Subscriptions in advance	8 000	
Creditors for refreshments	200 000	208 000
Accumulated fund		**2 786 000**

Question 1 (b)

Rufaro Social Club: Refreshment Trading Account for the Year Ended 31 December 2005

	$	$
Sales Of Refreshments		950 000
Less: Cost Of Sales Of Refreshments		
Opening Stock	380 000	
Purchases (750 000 + 150 000 – 200 000)	700 000	
	1 080 000	
Less: Closing Stock	480 000	600 000
Gross Profit		**350 000**

1 (c)

Income and Expenditure Account For the Year Ended 31 December 2005

	$	$
Subscription (W1)		824 000
Refreshment Trading Profit (b)		350 000
Raffle tickets (200 000 – 70 000)		130 000
Donations		85 000
		1 389 000
Less: Expenditure:		
Repainting of Clubhouse	300 000	
Stationery (W3)	92 000	
Electricity (110 000 + 10 000)	120 000	
Secretary Expenses	200 000	
Travelling Expenses	210 000	
Depreciation:		
Office Furniture (W4)	17 500	**939 500**
Excess Income Over Expenditure		**449 000**

1 (d)

Balance Sheet as At 31 December 2005

	$	$	$
Fixed Assets	**At Cost**	**Less: Depreciation**	**Net Book Value**
Clubhouse	3 000 000	-	3 000 000
Furniture (150 000 + 100 000)	250 000	17 500	232 500
	3 250 000	**17 500**	**3 232 500**
Current Assets		480 000	
Stock Of Refreshments		40 000	
Subscriptions Owing		649 000	**1 169 00**
Cash At Bank			**4 401 50**
Equity and Liabilities			
Accumulated Fund			2 786 00
Add: Surplus			449 50
Profit on revaluation (W5)			1 000 00
			4 235 50
Current Liabilities			
Creditors for refreshments		150 000	
Subscriptions in advance		16 000	**166 00**
			4 401 50

Question 2

Hints

Questions on capital and revenue expenditure are very popular with examiners. Capital expenditure refers to expenditure on 'capital goods' or 'fixed assets'. Such assets are **used** by the business for a period of more than one year. Revenue expenditure, on the other hand, are business running expenses, i.e. they are recurrent in nature, e.g. wages and salaries, rent and rates, insurance, etc. Such expenses are included in the Trading and Profit and Loss Account, unlike capital items or fixed assets which appear in the Balance Sheet. With this background of these terms, you should be able to answer the question.

Question 2 (a)

Capital expenditure is spending money on the acquisition of **fixed** assets or adding value to fixed assets whereas revenue expenditure is spending money on the day to day running expenses of the business.

2 (b)

(i) Revenue
(ii) Capital
(iii) Capital
(iv) Revenue
(v) Revenue

2 (c)

	Debit	Credit
(i)	Packaging materials	Ndonga Limited
(ii)	Machinery	Bank
(iii)	Import duty on machinery	Bank
(iv)	Carriage on purchases	Cash
(v)	Motor expenses/fuel	Mpopoma Motors

Question 3

Hints and Workings

The question requires students to record goodwill on the admission of a new partner. Remember that goodwill of $30 000 is only shared by the old partners, Munashe and Nkosi in their old ratio of 1:1. Patel as a new partner did not contribute anything in that goodwill so will not get a share. The same applies to the profit on revaluation; it will only be shared by Munashe and Nkosi.

In the new balance sheet, take note of the following:

- Goodwill should be shown as one of the assets since it would remain in the books.
- Assets revalued should be recorded at their new revalued figures.
- Balances brought down on 1 January 2006 represent the capital figures for the 3 partners, i.e., \$168 000 for Munashe and Nkosi, then \$84 000 for Patel.
- Furniture increased by \$60 000, brought in by Patel
- Bank balance also increased by \$24 000 brought by Patel.
- Capital Accounts should be prepared in columnar form.

(W1) **Revaluation Account**

	\$		\$
Assets which decreased in value:		Assets which increased in value:	
Machine	3 000	Motor Vans	10 000
Stock	1 000		
Profits on Revaluation:			
Munashe	3 000		
Nkosi	3 000		
	10 000		**10 000**

(W2) Share of goodwill:

Munashe	½ of \$30 000	=	\$15 000
Nkosi	½ of \$30 000	=	\$15 000

Question 3 (a)

Capital Accounts

	Munashe	Nkosi	Patel		Munashe	Nkosi	Patel
	\$	\$	\$		\$	\$	\$
2005				2005			
Dec 31				Dec 31			
Balance c/d	168 000	168 000	84 000	Balance b/d	150 000	150 000	-
				2006			
				Jan 1			
				Profit on Revaluation	3 000	3 000	-
				Goodwill	15 000	15 000	
				Furniture			60 000
				Bank			24 000
	168 000	**168 000**	**84 000**		**168 000**	**168 000**	**84 000**
				Jan 1 Balance b/d	168 000	168 000	84 000

3 (b)

Partners: Balance Sheet as at 1 January 2006

Equity and Liabilities

	$	$
Capital: Munashe	168 000	
Nkosi	168 000	
Patel	84 000	420 000
Loan: United Bank		50 000
		470 000
Current Liabilities		
Creditors	4 500	
Accrued rent	500	5 000
		475 000
Fixed Assets		
Furniture (40 000 + 60 000)		100 000
Machinery		67 000
Motor Vans		200 000
Goodwill		30 000
		397 000
Current Assets		
Stock	14 000	
Debtors	10 000	
Bank (30 000 + 24 000)	54 000	78 000
		475 000

Question 4

Hints

This question is designed to test your skills in preparing departmental trading accounts. In this question, remember is the departmental trading account only required. Notice that the warehouse rent increases the value of goods to be sold since is it incurred before the goods are sold. The objective is, of course, to ascertain the gross profit for each of the departments A and B. Remember to prepare the departmental account in columnar form.

Workings:

Carriage inwards	=	**$30 000**
Department A = $^1/_6$ of $30 000	=	$ 5 000
Department B = $^5/_6$ of $30 000	=	$25 000

Warehouse Rent		=	**$101 250**
Department A = $^4/_9$ of $101 250		=	$ 45 000
Department B = $^5/_9$ of $101 250		=	$56 250
Opening stocks:			
Department A:	200 books at $350 each	=	$50 000
	50 periodicals at $100 each	=	$ 5 000
	50 newspapers at $50 each	=	$ 2 500
			$57 500
Department B:	25 games at $1000 each	=	$25 000
	10 toys at $500 each	=	$ 5 000
			$30 000

Question 4 (a)

F Muleya: Departmental Trading Account for 6 months ending 30 June 2006

	A $	B $	A $	B $
Sales			360 000	450 000
Less: Cost Of Sales:				
Opening Stock	57 500	30 000		
Purchases	155 000	250 000		
Carriage Inwards	5 000	25 000		
Warehouse Rent	45 000	56 250		
	262 500	361 250		
Closing Stock	61 000	70 000	201 500	291 250
Gross Profit			**158 500**	**158 750**

4 (b)

Preference Shares

(i) Preference share dividend must be paid whether the business has earned a profit or not.

(ii) Have a fixed rate of dividend.

(iii) The preference shareholders have no voting rights.

Question 5

Hints and Workings

(i) The policy on provision for bad debts is 5% of the book debtors.
(ii) The provision for bad debts will increase as debtors increase or decrease as debtors decrease from year to year.
(iii) Once the provision for bad debts account has been opened, the increase or decrease from year to year, is the adjustment which should be credited to the provision for bad debts or debited to the provision for bad debts account, respectively.

Stationery Account

(i) The objective of the question is to calculate stationery which was used during the year which must be transferred to the Profit and Loss Account.

(ii) Stock of unused stationery at the end of the year represents stationery still available.

Question 5 (a) (i)

Provision for bad debts Account

		$			$
2001			2001		
Dec 31	Balance c/d	3 390	Jan 1	Balance b/d	3 060
			Dec 31	Profit & Loss Account	330
		3 390			**3 390**
2002			2002		
Dec 31	Profit and Loss Account	210	Jan 1	Balance b/d	3 390
	Balance c/d	3 180			
		3 390	2003		**3 390**
			Jan 1	Balance b/d	3 180

5 (a) (ii)

Balance Sheet extract at 31 December 2001

	$	$
Current Assets		
Debtors	67 800	
Less: Provisions for bad debts	3 390	**64 410**

Balance Sheet extract as at 31 December 2002

	$	$
Current Assets		
Debtors	63 600	
Less: Provision for bad debts	3 180	**60 420**

5 (b)

Stationery Account

		$			$
2006			2006		
May 1	Stock b/d	4 000	May 31	Profit and Loss Account	12 000
May 15	Bank	6 000		Balance c/d	3 000
May 30	T. Stationers	5 000			
		15 000			**15 000**
June 1	Balance b/d	3 000			

Question 6

Hints and Workings

This is a very common question with examiners, which tests students their knowledge and application of the margin and the mark-up.

(i) In order to get marks, you must show all your workings adjacent to your answers.

Question 6 (a)

Gross Profit $= 33^1/_3$ of \$930 000
$= {}^1/_3 \times$ \$930 000
$=$ **\$310 000**

6 (b)

Cost of Sales = Sales – Gross Profit
= \$930 000 - \$310 000
= **\$620 000**

6 (c)

$$\frac{\text{Cost of Sales}}{(\text{Opening Stock} + \text{Closing Stock}) \div 2} = 10$$

$$\frac{\$620\ 000 \times 2}{(\$60\ 000 + CS)} = 10$$

\$1 240 000	=	10(\$60 000 + CS)
\$1 240 000	=	\$600 000 + 10CS
\$1 240 000 - \$600 000	=	10CS
\$ 640 000	=	10CS
\$ 64 000	=	CS
∴ **\$64 000**	=	Closing Stock

6 (d)

Purchases	=	\$620 000 + \$64 000 - \$60 000
	=	**\$624 000**

6 (e)

Expenses	=	Gross Profit – Net Profit
	=	\$310 000 – (15% of \$930 000)
	=	\$310 000 - \$139 000
Therefore Expenses	=	**\$170 500**

6 (f)

$$\text{Mark-up} = \frac{\text{Gross Profit}}{\text{Cost of Sales}} \times \frac{100}{1}$$

$$= \frac{\$310\ 000}{\$620\ 000} \times 100$$

$$= \textbf{50\%}$$

Or Margin $= {}^{1}/_{3}$

Therefore Mark-up $= \dfrac{1}{3 - 1} = \dfrac{1}{2}$

Question 7

Hints

Remember the definition of working capital, that is, current assets less current liabilities.

This question requires you to determine if each transaction affects a current asset or current liability or both and whether working capital would increase or decrease as a result of the transaction.

Steps

(i) For each transaction decide the two accounts involved.

(ii) Next, find out if the balance in each of the two accounts would increase or decrease as a result of the transaction.

(iii) If the account represents a current asset, an increase in balance is likely to increase working capital while a decrease in balance would reduce it.

(iv) Similarly, if an account is a current liability, an increase in balance means less working capital and vice versa.

(v) Effect of **both** accounts, however, has to be worked out, e.g. "withdrew cash from bank for office use". **Cash** balance increases while **bank** balance is reduced by the same amount. As both cash and bank are current assets, the net effect is that there is no change in working capital.

Question 7 (a)

Calculation of working capital.

Current assets		**$**
Stock		15 000
Debtors		8 000
Bank		10 000
Prepaid rates		2 000
		35 000
Less: **Current Liabilities**		
Creditors	10 000	
Interest due	5 000	15 000
Working Capital		**20 000**

7 (b)

(i) Decrease

(ii) No effect

(iii) Decrease

(iv) Increase

(v) No effect

(vi) Increase

(vii) No effect

(viii) Increase

(ix) Increase

(x) No effect

ZIMBABWE SCHOOL EXAMINATIONS COUNCIL
General Certificate of Education Ordinary Level

PRINCIPLES OF ACCOUNTS 7112/1
PAPER 1

NOVEMBER 2006 SESSION **3 hours**

Additional materials:
Answer paper
Multi-column accounting paper (8 sheets)

TIME 3 hours

INSTRUCTIONS TO CANDIDATES

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INFORMATION FOR CANDIDATES

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This question paper consists of 7 printed pages and 1 blank page.

Section A

Answer **all** questions in this section.

1 F. Sithole is in business operating a grocery shop. The following trial balance was extracted from her books on 31 December 2004.

	Debit	Credit
	$	$
Purchases and sales	96 200	165 000
Capital		119 320
Drawings	9 200	
Carriage inwards	5 400	
Stock at 1 January 2004	14 300	
Buildings at cost	120 000	
Office furniture at cost	23 200	
Provision for depreciation Office furniture on 1 January 2004		2 320
Return inwards and outwards	2 600	3 000
Loan from East Bank (payable on 31 December 2007)		24 000
Provision for bad debts on 1 January 2004		800
Insurance	900	
Stationery	1 880	
Debtors and creditors	13 600	9 020
Wages	20 600	
Electricity	6 640	
Discounts allowed and received	650	450
Cash at bank	8 740	
	323 910	323 910

Additional information:

(i) Stock on 31 December 2004 was valued at $12 600.

(ii) Goods worth $6 500 were taken by the owner for her own use. No entry had been made in the books.

(iii) Stock of stationery on 31 December 2004 was $880.

(iv) Interest on the bank loan is at the rate of 5 per cent per annum.

(v) Insurance prepaid on 31 December 2004 was $180.

(vi) Office furniture is to be depreciated at the rate of 10 per cent per annum using the reducing (diminishing) balance method.

(vii) The provision for bad debts is to be increased to $960.

(viii) One quarter of the wages was for staff employed in making extensions to the building.

You are required to prepare:

(a) the Trading and Profit and Loss Account for the year ended 31 December 2004. [13]

(b) the Balance Sheet as at 31 December 2004. [13]

2 The following information was extracted from the books of Chiedza Farmers Club:

	2003 June 1 $	2004 May 31 $
Subscriptions in arrears	5 400	4 800
Subscriptions in advance	3 750	4 250
Stocks of stationery	1 220	960
Electricity owing	-	1 100

The following transactions were undertaken during the year ending 31 May 2004.

(i) Subscriptions paid by cheque amounted to $15 000.
(ii) Subscriptions paid in cash totalled $3 000.
(iii) Paid $6 000 for stationery by cheque.
(iv) Paid $3 400 for electricity in cash.

You are required to prepare:

(a) the Subscriptions Account. [7]

(b) the Stationery Account. [4]

(c) the Electricity Account. [4]

Pay special attention to dates and detail.

Balance the accounts on 31 May 2004.

3 The following assets and liabilities relate to the business of P. Pepukai on 1 July 2003:

	$
Premises	250 000
Tools and equipment, at cost	100 000
Motor vans, at cost	150 000
Stock	45 000
Trade debtors	60 000
Bank	27 000
Trade creditors	42 000

The following information was available on 30 June 2004:

(i) Tools and equipment were valued at $90 000 at the close of business.

(ii) Motor vans were depreciated at the rate of 20 per cent on cost per annum.

(iii) Trade debtors owed a total of $75 000.

(iv) An amount of $5 000 was written off as bad debts.

(v) It was decided to create a provision for doubtful debts of 5 percent on outstanding debts.

(vi) The business owed $30 000 to trade creditors.

(vii) There was no record of a cheque payment of $8 000 to a creditor.

(viii) Drawings from stock worth $12 000 at cost price had not been recorded.

(ix) Closing stock was valued at $35 000.

You are required to:

(a) calculate the capital on 1 July 2003. [2]

(b) prepare the Balance Sheet as at 30 June 2004, showing clearly the net profit or loss for the year. [14]

4 (a) An accounting clerk has produced two lists of expenditures for a textiles manufacturing company which he categorised into capital and revenue. Unfortunately, the lists are not all correct.

List A	List B
Revenue Expenditure	Capital Expenditure
Carriage inwards	Carriage outwards
Fitting cabinet	Office equipment
Insurance	Advertising
Packing materials	Payment of dividends
Petty cash for stamp	Delivery van
Office desk	Factory machinery
Extension to premises	Replacement of light bulbs
Salaries and wages	New front tyres for a new delivery van
Licence fees for the new delivery van	Raw materials

You are required to re-write the **two** lists correctly. [9]

(b) Spot-on Trading Store maintains the following accounts in its books:

(i) Fittings and furniture Account.

(ii) Nation Wholesalers Account, suppliers to the business.

(iii) Salaries and wages Account.

(iv) S. Shanda Account, a customer to the business.

(v) Rent received Account.

You are required to state the name of the ledger in which **each** of the above accounts is recorded. [5]

(c) State **three** reasons for preparing control accounts. [3]

Section B

Answer any **two** questions from this section.

5 (a) Prepare the journal entries for each of the following transactions. *Narrations*

(i) T. Tshuma, a debtor, had his account balance of $900 written off as a bad debt.

(ii) New equipment for office use valued at $30 000 was bought on credit from City Machine (Pvt) Ltd.

(iii) A payment of $6 000 by cheque to National Books was incorrectly entered in National Parts Accounts.

(iv) Equipment bought on credit from City Machines (Pvt) Ltd worth $7 500 was returned as being not up to specifications.

(v) Interest amounting $1 100 was charged on a customer's account balance of $10 000. The name of the customer is G. Gutu. [10]

(b) State any **three** items appearing on a bank statement used to update a cash book. [3]

6 (a) State any **two** causes of physical deterioration of fixed assets. [2]

(b) State **three** methods of depreciation. [3]

(c) Calculate the missing figures numbered **(i)** to **(viii)** at the end of the first year of use.

Fixed Asset At cost $	Residual Scrap $	Estimated Life (Years)	Depreciation $	Net Book Value $
10 000	2 000	5	**(i)**	**(ii)**
(iii)	4 000	**(iv)**	4 000	20 000
70 000	**(v)**	8	8 000	**(vi)**
80 000	3 000	**(vii)**	**(viii)**	69 000

[8]

7 (a) State any **two** errors

(i) **not** revealed by a trial balance. [2]

(ii) revealed by a trial balance. [2]

(b) Calculate the following:

(i) a final preference dividend on 600 000 20% Preference Shares of \$2 each, fully paid. [2]

(ii) a final dividend of 30 cents per share on 750 000 Ordinary Shares of \$1 each, fully paid. [2]

(iii) a cash payment for goods that had a list price of \$15 000, less $33\frac{1}{3}$% trade discount, and a cash discount of $2\frac{1}{2}$%. [2]

(iv) dividend paid during the year, if dividend owed at the beginning of the year amounted to \$6 000 and dividend owed at the end of the year totalled \$15 000. The directors had proposed a dividend of \$28 000 towards the end of the year. [3]

ZIMBABWE SCHOOL EXAMINATIONS COUNCIL

GENERAL CERTIFICATE OF EDUCATION ORDINARY LEVEL

POSSIBLE ANSWERS

NOVEMBER 2006

PRINCIPLES OF ACCOUNTS 7112/1

NOVEMBER 2006

Question 1

Hints and Workings

This is a common question on the preparing of final accounts for a sole proprietor.

(W1)

Goods taken by owner for own use debit drawings and credit purchases.

Therefore:	Drawings	=	\$9 200 + \$6 500 = \$15 700.
	Purchases	=	\$96 200 - \$6 500 = **\$89 700**
(W2)	Stationery	=	\$1 880 - \$880 = **\$1 000**
(W3)	Interest on loan	=	$^5/_{100}$ × \$24 000 = **\$ 1 200**
(W5)	Insurance	=	\$900 - \$180 = \$720
(W6)	Depreciation: Office furniture	=	10% of (\$23 200 - \$2 320)
		=	**\$2 088**
(W7)	Provision for bad debts increased by		\$960 - \$800 = **\$160**
(W8)	Wages	=	\$20 600 - ¼ of 20 600
		=	\$20 600 - \$5 150
		=	**\$15 450**
	Buildings	=	\$120 000 + \$5 150
		=	**\$125 150**

Question 1 (a)

Trading and Profit and Loss Account For the Year Ended 31 December 2004

	$	$	$
Sales			165 000
Less: Returns inwards			2 600
Net sales			**162 400**
Less: Cost of sales			
Opening stock		14 300	
Add: Purchases	96 200		
Less: drawings	6 500		
	89 700		
Less: Returns outwards	3 000		
	86 700		
Add: Carriage inwards	5 400	92 100	
		106 400	
Less: Closing stock		12 600	**93 800**
Gross Profit			68 600
Discount received			450
			69 050
Less: Operating Expenses			
Discounts allowed		650	
Stationery	1 880		
Less: Stock of stationery	880	1 000	
Insurance	900		
Less: Insurance prepaid	180	720	
Wages	20 600		
Less: Wages for extension	5 150	15 450	
Interest on loan		1 200	
Depreciation on furniture		2 088	
Provision for bad debts		160	
Electricity		6 640	**27 908**
Net profit			**41 142**

1 (b)

BALANCE SHEET AS AT 31 DECEMBER 2004

	$	$	$
Fixed Assets	At Cost	**Less: Depreciation**	**Net Book Value**
Building (W8)	125 150	-	125 150
Office Furniture (2320+2088)	23 200	4 408	18 792
	148 350	**4 408**	**143 942**
CURRENT ASSETS			
Stock		12 600	
Stock of Stationery		880	
Debtors	13 600		
Less: Provisions for Bad Debts	960	12 640	
Insurance Prepaid		180	
Bank		8 740	35 040
			178 982
Financed By:			
Equity And Liabilities			
Capital		119 320	
Add: Net Profit		41 142	
		160 462	
Less: Drawings (9200 + 6500)		**15 700**	
			144 762
Long-term Liabilities			
Long-term loan (East Bank)			24 000
Current Liabilities			
Creditors		9 020	
Interest on loan		1 200	10 220
			178 982

Question 2

Hints

Since these are records of a club, the main objective for preparing the ledger accounts is to calculate the amount to be transferred to the Income and Expenditure Account.

Remember that the closing transfer for subscriptions account is on the debit side, since it is income BUT the closing transfer for stationery and electricity accounts is done through the credit side, these are expenses.

- For the payments done and the receipts for subscriptions, you have to visualize the subsidiary book before posting to the ledger.
- In order to get all your marks, record the date and details of each transaction in the accounts.

Question 2 (a)

Subscriptions Account

		$			$
2003 June 1	Subscriptions in arrears b/d	5 400	2003 June 1	Subscriptions in advance b/d	3 750
2004 May 31	Income & Expenditure	16 900	2004 May 31	Bank	15 000
	Subscriptions in advance c/d	4 250		Cash	3 000
				Subscriptions in arrears c/d	4 800
		26 550			**26 550**
June 1	Subscriptions in arrears b/d	4 800	June 1	Subscriptions in advance b/d	4 250

2 (b)

Stationery Account

		$			$
2003 June 1	Stocks b/d	1 220	2004 May 31	Income & expenditure	6 260
2004 May 31	Bank	6 000		Stocks c/d	960
		7 220			**7 220**
June 1	Stocks b/d	960			

2 (c)

Electricity Account

		$			$
2004 May 31	Cash	3 400	2004 May 31	Income & expenditure	4 500
	Owing c/d	1 100			
		4 500			**4 500**
			June 1	Owing b/d	1 100

QUESTION 3

HINTS

To calculate opening capital, deduct liabilities from assets as at 1 July 2003.

3 (b) Workings:

Depreciation : on Tools and Equipment
= \$100 000 – \$90 000 = **\$10 000**

: on Motor Vans 20% of \$150 000
= **\$30 000**

Provision for bad debts	=	5% of (\$75 000 - \$5 000)
	=	5% of \$70 000
	=	**\$3 500**
Stock	=	\$35 000 - \$12 000
	=	**\$23 000**

NB The question requires you to prepare a Balance Sheet, therefore a Balance Sheet must be done in which Net Profit or Loss is deduced.

Question 3 (a)

Capital= Assets – Liabilities
= (\$250 000 + 100 000+ 150 000 + 45 000 + 60 000 + 27 000) – 42 000
= \$632 000 - \$42 000
= **\$590 000**

Question 3 (b)

Balance Sheet as at 0 June 2004

	\$	\$	\$
Fixed Assets	**At Cost**	**Less: Depreciation**	**Net Book Value**
Premises	250 000	-	250 000
Tools and Equipment	100 000	10 000	90 000
Motor Vans	150 000	30 000	120 000
	500 000	**40 000**	**460 000**
Current Assets			
Stock		23 000	
Debtors (75 000 – 5 000)	70 000		
Less: Provisions for bad debts	3 500	66 500	
Bank		19 000	
		108 500	

Less: Current Liabilities		
Trade Creditors	22 000	**86 500**
		546 500
Financed by:		
Capital from 3(a)		590 000
Less: Net Loss		31 500
		558 500
Less: Drawings		12 000
		546 500

QUESTION 4

HINTS

QUESTION 4 (a)

1 Remember that Capital expenditure is the acquisition of fixed assets or adding value to the existing ones whereas revenue expenditure is spending money on the day to day running costs of the business, or spending money on the items chargeable to the Trading Account, Profit and Loss Account and Income and Expenditure Account.

2 After recalling the definition, now you must be able to classify the items listed as either revenue or capital expenditure.

QUESTION 4 (b)

Ledger Accounts fall under three major sections, i.e. Real Accounts, Personal Accounts and Nominal Accounts.

- Real Accounts – Accounts of Assets – General Ledger
- Personal Accounts – Accounts of Creditors and Debtors (Creditors Ledger & Debtors Ledger)
- Nominal Accounts – Accounts of Expenses and Gains/Income – General Ledger.

NB: Real Accounts and Nominal Accounts – General ledger

QUESTION 4 (c)

NB: Control Accounts are neither prepared to correct errors nor do they prevent fraud.

QUESTION 4 (a)

List A		**List B**	
Revenue Expenditure		**Capital Expenditure**	
1	Carriage inwards	1	Filing cabinet
2	Carriage outwards	2	Office equipment
3	Insurance	3	Delivery van
4	Advertising	4	Office desk
5	Packing materials	5	Factory machinery
6	Payment of dividends	6	Extension to premises
7	Petty cash for stamps	7	New front tyres for a new delivery van
8	Replacement of light bulbs	8	Licence fees for the new delivery van
9	Salaries and wages		
10	Raw materials		

QUESTION 4 (b)

(i) General ledger
(ii) Creditors ledger/purchases ledger
(iii) Nominal ledger/general ledger
(iv) Debtors ledger/sales ledger
(v) Nominal ledger/general ledger

QUESTION 4 (c)

REASONS FOR KEEPING CONTROL ACCOUNTS

(i) To reduce fraud or cheating.
(ii) To obtain a summary of debtors and creditors
(iii) To check on arithmetical accuracy
(iv) For management control purposes

QUESTION 5

HINTS

QUESTION 5 (a)

A complete journal entry must have an account debited and an account credited with the same amount.

QUESTION 5 (a)

		$ Dr	$ Cr
(i)	Bad debts Account	900	
	T. Tshuma Account		900
(ii)	Equipment Account	30 000	
	City Machine (Pvt) Ltd Account		30 000
(iii)	National Books Account	6 000	
	National Parts Account		6 000
(iv)	City Machines (Pvt) Ltd Account	7 500	
	Equipment Account		7 500
(v)	G. Gutu Account	1 100	
	Interest Received Account		1 100

QUESTION 5 (b)

Bank charges
Direct debits
Credit transfer
Dishonoured cheques
Standing orders
Stop order
Interest (earned/charged)
Direct credits

QUESTION 6

HINTS

6 (c) In all your calculations remember that the cost of a fixed asset minus its scrap value divided by its estimated life is equal to depreciation charge for one year.

Therefore, if given the Net Book Value and depreciation, you can easily work backwards to get the cost.

- Remember that cost minus residual value divided by depreciation per year is equal to estimated life in years.

NB: Numbering is very important.

QUESTION 6 (a)

Wear and tear
Weathering

Erosion
Rotting
Decay

QUESTION 6 (b)

Straight Line Method/Fixed Instalment Method
Reducing/Diminishing Balance Method
Revaluation

QUESTION 6 (c)

(i)	\$1 600	(ii)	\$8 400
(iii)	\$24 000	(iv)	5 years
(v)	\$5 000	(vi)	\$62 000
(vii)	7 years	(viii)	\$11 000

QUESTION 7

HINTS

7 (a) Take note of the following:

(a) (i) requires errors NOT revealed and
(a) (ii) requires errors which are revealed by a Trial Balance. Number your answers in the order they have been asked.

7 (b) On (b) (i) calculate the dividend on the preference share capital, of 600 000 shares x \$2.00. Therefore Dividend is equal to 20% of \$1 200 000.

On (b)(ii) the dividend is 30 cents per share, therefore multiply 30 cents by the number of ordinary shares.

On (b) (iii) since the list price includes trade discount, therefore deduct the trade discount and then the cash discount in order to get the cash payment.

On (b) (iv) the company should have paid \$6000 owing at the beginning plus \$28 000 proposed for the year but since \$15 000 was owing at the end, it means only a fraction of \$28 000 plus \$6 000 owing at the beginning, were paid.

QUESTION 7 (a) (i)

Errors NOT revealed

1 Errors of principle
2 Errors of omission
3 Errors of original entry
4 Errors of commission
5 Compensating errors
6 Complete reversal of entries

QUESTION 7 (a) (ii)

1 Arithmetic errors, i.e. wrong addition and subtraction
2 Incomplete double entry
3 Omitting a figure from the ledger to the Trial Balance
4 Completing double entry with different figures
5 Posting figures to the same side.

QUESTION 7 (b)

(i)	Final Preference dividend	=	20% of (600 000 x \$2)
		=	20% x \$1 200 000
		=	**\$240 000**
(ii)	Final Ordinary dividend	=	30¢ x 750 000
		=	**\$225 000**
(iii)	Cost Price	=	\$15 000 – (33⅓% of \$15 000)
		=	\$15 000 - \$5 000
		=	**\$10 000**
	Therefore payment	=	\$10 000 – (2½% of \$10 000)
		=	\$10 000 - \$2.50
		=	**\$97.50**
(iv)	Dividend paid	=	\$ 6 000 + \$28 000 - \$15 000
		=	\$34 000 - \$15 000
		=	**\$19 000**

OR

Dividend Account

	\$		\$
Bank	19 000	Owing b/d	6 000
Owing c/d	15 000	Profit & Loss	28 000
	34 000		**34 000**
		Owing b/d	15 000

ZIMBABWE SCHOOL EXAMINATIONS COUNCIL
General Certificate of Education Ordinary Level

PRINCIPLES OF ACCOUNTS

PAPER 1

7112/1

JUNE 2007 SESSION

3 hours

Additional materials:
Answer paper
Multi-column accounting paper (8 sheets)

TIME 3 hours

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces provided on the answer paper.
Answer **all** questions in Section A and any **two** questions from Section B.
Write your answers on the separate answer paper provided.
Start each question on a separate page.
If an answer extends beyond one sheet, all the sheets for that question must be kept together.
All calculations must be shown adjacent to the answer.
Calculators must not be used.
If you use more than one sheet of paper, fasten the sheets together.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [ ] at the end of each question or part question.

This question paper consists of 8 printed pages.

Section A

Answer **all** questions in this section.

1 M. Mushava is a manufacturer. On 31 December 2004 the following balances were extracted from her books **after** the preparation of the Manufacturing Account for the year ended 31 December 2004:

	$
Cost of manufactured goods	635 600
Sales	996 000
Stock of finished goods at 1 January 2004	45 800
Stock at 31 December 2004: Finished goods	59 400
Raw materials	89 600
Work-in-progress	85 200
Factory wages outstanding	13 400
Office salaries	55 800
Office rates and insurance	22 800
Motor expenses	27 400
Debtors	83 000
Creditors	70 600
Plant and machinery, at cost	447 000
Motor vehicles, at cost	424 000
Furniture and Fittings, at cost	88 000
Cash at bank	47 800
Provision for bad debts at 1 January 2004	3 000
Provision for depreciation at 1 January 2004:	
Motor vehicles	84 800
Drawings	46 800
Capital at 1 January 2004	800 000
Long term loan from Midas Finance (obtained on 30 September 2004)	98 000

The following additional information is to be taken into account:

(i) Depreciation of plant and machinery is $33 000.

(ii) Depreciation of furniture and fittings is 10% per annum on cost, and motor vehicles is 20% per annum on the reduced value.

(iii) A debt of $3 000 is to be written off as irrecoverable and the provision for bad debts is to be adjusted to 5% of debtors.

(iv) Loan interest at 20% per annum is owing.

(v) Prepaid insurance amounted to \$3 200 and \$400 was due on rates.

(vi) An amount of \$200 was owing for office salaries.

You are required to prepare:

(a) the Trading and Profit and Loss Accounts for the year ended 31 December 2004. [11]

(b) the Balance Sheet as at 31 December 2004. [15]

2 The following information relates to the business of M. Mwanza who owns a Driving School.

2003
Jan 1 Bought two motor vans at a cost of \$750 000 each in cash.

2004
Sept 30 Purchased one motor van at a cost of \$900 000 by cheque.

One of the motor vans bought on 1 January 2003 was sold for \$500 000 cash on 30 September 2004.

Depreciation is at the rate of 20 percent per annum on cost for each month of ownership.

(a) You are required to write up for the years 2003 and 2004:

(i) the Motor Vans Account. [4]

(ii) the Provision for Depreciation Account. [5]

(b) Draw up the Motor Vans Disposal Account. [5]

(c) Write up the Balance Sheet extracts as at 31 December 2003 and 2004. [2]

3 Write down the word(s) or figure(s) required to complete each of the following sentences. **Do not write the whole sentence**.

(a) The profits made in a bar trading account were $66 000. The barman is entitled to a commission of 10% of the profits. The commission earned by the barman is $ ____________ .

(b) A negative bank balance is shown as a ________________ balance on the bank statement.

(c) The errors of ____________ occur when a transaction is entered in the wrong class of accounts.

(d) The total shareholders funds (equity) include **(i)** ______________ share capital and the **(ii)** _____________.

(e) Interest on drawings is debited to the partners **(i)** _________ accounts and credited to the **(ii)** ____________ account.

(f) Legal costs incurred in the transfer of freehold buildings are known as **(i)** ________________ expenditure and wages of workers engaged in building extension are classified as **(ii)** ______________ expenditure.

(g) Accounts of suppliers of goods are recorded in the ______________ ledger.

(h) The list price of goods is $120 000. The trade discount is $33\frac{1}{3}$% and cash discount is 5%. The final amount paid by the trader is **(i)** $ __________ and the discount received is **(ii)** $ _________. [12]

4 On 31 July 2005, the balance sheet of S. Nsingo was as follows:

S. Nsingo: Balance Sheet as at 31 July 2005

ASSETS			EQUITY AND LIABILITIES	
Fixed Assets	$	$		$
Land and buildings		750 000	Capital	1 000 000
Tools and equipment		100 000		
Motor vans		250 000	Long Term Liabilities	
		1 100 000	Loan-Development Bank	450 000
Current Assets			Current Liabilities	
Stocks	150 000		Creditors	350 000
Debtors	350 000			
Cash at bank	90 000			
Cash in hand	110 000			
		700 000		
		1 800 000		1 800 000

On 1 August 2005, Nsingo sold her business to T. Tambo for $2 460 000, payment being made by cheque on the same day. Tambo agreed to take over all assets and liabilities **except** the cash at bank and in hand.

It was agreed that the following be valued as follows:	$
Land and buildings	950 000
Tools and equipment	150 000
Motor vans	300 000
Stocks	120 000

Tambo introduced $3 500 000 into the business of which $340 000 remained as cash.

A provision for doubtful debts of $20 000 was created.

You are required to:

(a) calculate goodwill. [13]

(b) show the opening balance sheet of T. Tambo as at 1 August 2005. [7]

SECTION B

Answer any two questions from this section

5 The Share Capital of Willowvale Ltd on 31 December 2004 was as follows:

Authorised Share Capital	$
2 000 000 $1 Ordinary shares	2 000 000
1 500 000 9% $1 Preference shares	1 500 000
Issued Share Capital	
1 500 000 $1 Ordinary shares	1 500 000
1 000 000 9% $1 Preference shares	1 000 000

The following information is available for the year ended 31 December 2004.

	$
Profit and Loss Account (31 December 2003)	550 000
Net Trading Profit for 2004	750 000
General Reserve	200 000
10% Debentures	500 000
Interim ordinary dividend paid	100 000
Interim preference dividend paid	45 000

The company directors recommended that

(i) $110 000 be transferred to the General Reserve Account.

(ii) a final dividend of 10 cents in the dollar be paid to ordinary shareholders.

(iii) the final dividend be paid to preference shareholders.

You are required to prepare

(a) the Profit and Loss Appropriation Account for the year ended 31 December 2005. [5]

(b) a Balance Sheet **extract** at 31 December 2005, showing clearly the details of the shareholders' funds and total capital fund. [8]

6 The following information relates to the business of Khumalo Advertising Agents.

CASH BOOK (BANK COLUMNS ONLY)

		$			$
2006		$	2006		$
Mar 1	Balance b/d	90 000	Mar 2	Drawings (061)	45 000
10	F. Flowers	110 000	7	City Motors (062)	30 000
13	Sales	65 500	12	T. Stationers (063)	76 000
15	T. Seedat	75 650	16	Corner Photos (064)	100 000
20	Sales	80 000	20	Wages (065)	160 000
31	Balance c/d	24 850	26	City Motors (066)	35 000
		446 000			446 000

Khumalo's Bank Statement for the month of March 2006 was as follows:

DATE		DETAILS		DEBIT	CREDIT	BALANCE
2006				$	$	$
Mar	1	Balance				90 000
	2	Withdrawal	061	45 000		45 000
	7	City Motors	062	30 000		15 000
	13	Deposit			65 500	80 500
	20	Deposit			80 000	160 500
		Withdrawal	065	160 000		500
	25	Credit transfer: Dividends			156 500	157 000
	28	Standing order: Insurance		57 000		100 000
		Bank charges		55 000		45 000
		Direct credit: A Amos			75 000	120 000
	30	Corner Photos	064	100 000		20 000

You are required to:

(a) write up the updated Cash Book. [6]

(b) prepare the Bank Reconciliation Statement as on 31 March 2006. [7]

[Turn over

7 (a) Cross Roads Store made the following transactions during the month of April 2006:

2006		
April	1	Bought office equipment valued at \$66 000 on credit from Equipment Supplies Limited.
	6	Purchased stationery for office use worth \$9 000 on credit from City Stationers.
	9	Returned some of the office equipment of inferior quality valued at \$6 000 to Equipment Supplies Limited.
	13	T. Siyoka's Account amounting to \$21 000 was written off as a bad debt.
	29	Received a statement of account from City Stationers showing an amount of \$550 as interest on the account balance.

You are required to prepare journal entries for the above transactions. **Narrations are not required.** [10]

(b) State whether each of the following is a Real Account or a Nominal Account.

(i) Furniture for office use

(ii) Goods bought for resale

(iii) Stationery for office use [3]

ZIMBABWE SCHOOL EXAMINATIONS COUNCIL

General Certificate of Education Ordinary Level

POSSIBLE ANSWERS

JUNE 2007

PRINCIPLES OF ACCOUNTS 7112/1

Question 1

Hints and Workings

(i) A manufacturing account has been prepared so there is no need to prepare one;

(ii) Production cost of finished goods ($635000) is added to opening stock of finished goods in the Trading Account;

(iii) It should also be noted that depreciation on plant and machinery ($33 000) for the year was charged to the manufacturing account already done so double entry is completed in the balance sheet.

(iv) Provision for bad debts:

Debtors		$83 000
Less: bad debts		$ 3 000
		$80 000
		$^{5}/_{100}$ x 80 000
	=	**$4 000**
Therefore increase in provision for bad debts	=	$4 000 - $3 000
Debit to profit and loss account	=	**$1 000**

(v)

Loan interest	=	$^{20}/_{100}$ x $98 000 x $^{3}/_{12}$
Debit to profit and loss account	=	**$4 900**

(vi)

Office rates and Insurance

		$			$
2004			2004		
Dec 31	Balance	22 800	Dec 31	Profit And Loss Account	20 000
	Amount due c/d	400		Amount prepaid c/d	3 200
		23 200			**23 200**

Office Salaries Account

		$			$
2004			2004		
Dec 31	Balance	55 800	Dec 31	Profit And Loss Account	56 000
	Amount owing c/d	200			
		56 000			**56 000**

1 (a) M. Mashava:

Trading and Profit and Loss Account for the year ended 31 December 2004

	\$	\$	\$
Sales			996 000
Less Cost of Sales:			
Opening Stock – finished goods	45 800		
Add: Cost of manufactured goods	635 600		
Goods available for sale		681 400	
Less: Closing stock – finished goods		59 400	
			622 000
Gross Profit			**374 000**
Less: Expenses			
Office salaries and wages (55 800 + 200)		56 000	
Rates and insurance (22 800 + 400 – 3 200)		20 000	
Motor expenses		27 400	
Bad debts		3 000	
Increase in Provision for bad debts		1 000	
Depreciation: Motor vehicles		67 840	
Furniture and Fittings		8 800	
Interest on loan		4 900	
			188 940
Net Profit			**185 060**

(b)

M. Mashava: Balance Sheet as at 31 December 2004

	COST	DEPR	NBV
Fixed Assets			
Plant and machinery	447 000	33 000	414 000
Motor vehicles (84 800 + 67 840)	424 000	152 640	271 360
Furniture and fittings	88 000	8 800	79 200
	959 000	**194 440**	**764 560**
Current Assets			
Stocks: Raw materials	89 600		
Work-in-progress	85 200		
Finished goods	59 400		
		234 200	
Debtors (83 000 – 3 000)	80 000		
Less: Provision for bad debts	4 000		
		76 000	
Prepaid insurance		3 200	
Cash at bank		47 800	
		361 200	
Less **Current Liabilities**			
Creditors	70 600		
Factory wages outstanding	13 400		
Loan interest due	4 900		
Rates owing	400		
Office wages due	200		
		89 500	
Working capital			271 700
Net Assets			**1 036 260**

	Financed by:			
	Capital, 1 January	800 000		
Add	Net Profit	185 060	985 060	
Less	Drawings		46 800	
	Owner's Equity			938 260
	Long Term Liabilities			
	Loan from Midas Finance			98 000
				1 036 260

Question 2

Hints and Workings

(i) The motor vans account and the provision for depreciation account are for two financial years ending on 31 December 2003 and 31 December 2004.

(ii) Motor vans disposal account is prepared in 2004.

(iii) Calculation of depreciation

2003	$\frac{20}{100} \times 1\,500\,000$	=	**\$300 000**
2004	$\frac{20}{100} \times 1\,500\,000 \times \frac{9}{12}$	=	\$225 000
Plus	$\frac{20}{100} \times 1\,650\,000 \times \frac{3}{12}$	=	\$ 82 500
			\$307 500

(iv) Calculation of provision for depreciation for the motor vans disposed off.

$= \frac{20}{100} \times 750\,000 \times \frac{21}{12} =$ **\$262 500**

2 (a)

Motor Vans Account

		\$			\$
2003			2003		
Jan 1 Cash		1 500 000	Dec 31	Balance c/d	1 500 000
		1 500 000			1 500 000
2004			2004		
Jan 1	Balance b/d	1 500 000	Sept 30	Motor van disposal	750 000
Sept 30	Bank	900 000	Dec 31	Balance c/d	1 650 000
		2 400 000			2 400 000
2005					
Jan 1	Balance b/d	1 650 000			

(a) (ii)

Provision for Depreciation Account

2003		$	2003		$
Dec 31	Balance c/d	300 000	Dec 31	Profit and Loss	300 000
		300 000			**300 000**
2004			2004		
Sept 30	Motor van disposal	262 500	Jan 1	Balance b/d	300 000
Dec 31	Balance c/d	345 000	Dec 31	Profit and Loss	307 000
		607 500			**607 500**
			2005		
			Jan 1	Balance b/d	345 000

(b)

Motor Van Disposal Account

2004		$	2004		$
Sept 30	Motor van	750 000	Sept 30	Cash	500 000
Dec 31	Profit and Loss	12 500	30	Provision of depr	262 500
		1 500 000			**762 500**

(c)

M.Mwanza: Balance Sheet extract as at 31 December

	COST	DEPR	NBV
2003			
Fixed Assets			
Motor Vans	1 500 000	300 000	1 200 000
2004			
Motor vans	1 650 000	345 000	1 305 000

3 (a) $6 600
(b) debit
(c) principle
(d) (i) issued
(ii) reserves
(e) (i) current
(ii) profit and loss appropriation
(f) (i) capital
(ii) capital
(g) purchases/creditors/bought
(h) (i) $76 000
(ii) $4 000

Question 4

Hints and Workings

(i) Since the purchase price is greater than the net assets taken over then there is positive goodwill.
(ii) When calculating goodwill the following assets should be taken at their revalued figures:-

	$
Land and Buildings	950 000
Tools and Equipment	150 000
Motor Vans	300 000
Stocks	120 000

(iii) Cash at bank $90 000 and cash in hand $110 000 should not be taken to T. Tambo's opening Balance Sheet.

4 (a) Calculation of Goodwill:

		$
Land and Buildings		950 000
Tools and Equipment		150 000
Motor Vans		300 000
Stocks		120 000
Debtors	350 000	
Less: Provisions for bad debts	20 000	330 000
		1 850 000
Less: Liabilities		
Loan – Development Bank	450 000	
Creditors	350 000	800 000
		1 050 000
Therefore Goodwill is		
Purchase price	2 460 000	
Less: Net Assets taken over	1 050 000	
Goodwill	**1 410 000**	

4 (a) T. Tambo: Balance Sheet as at 1 August 2005

		$	$	$
	Fixed Assets			
	Goodwill		1 410 000	
	Land and buildings		950 000	
	Tools and equipment		150 000	
	Motor vans		300 000	
				2 810 000
	Current Assets			
	Stock	120 000		
	Debtors	330 000		
	Bank (3 500 000 – 2 460 000 – 340 000)	700 000		
	Cash	340 000		
			1 490 000	
Less	**Current Liabilities**			
	Creditors		350 000	
				1 140 000
				3 950 000
	Financed by:			
	Capital		3 500 000	
	Long Term Liabilities			
	Loan Development Bank		450 000	
				3 950 000

Question 5

Hints and Workings

(i) Interim and final dividends paid to ordinary shareholders should be shown separately in the appropriation account; interim and final dividends paid to preference shareholders should be shown separately in the appropriation account.

(ii) General reserve \$110 000 to be debited to the appropriation account.

(iii) When preparing the balance sheet extract, it should be noted that the shareholders' funds (equity) is equal to issued share capital plus reserves: and the total capital fund is equal to shareholders' funds plus long-term liabilities.

(iv) Calculation of final ordinary dividend:

10c x 1 500 000 ÷ 100 c = **\$150 000**

(v) Calculation of final preference dividend:

= 9/100 x \$1 000 000 = **\$90 000**

Since an interim dividend of \$45 000 was paid during the year, therefore the final dividend of \$45 000 should be paid at the year end.

5 **Willowvale Ltd: Profit and Loss Appropriation A/c for the year ended 31 December 2005**

		\$	\$	\$
	Balance (31.12.04)		550 000	
	Net Trading Profit for the year		750 000	
				1 300 000
Less:	Appropriations			
	Ordinary Share interim dividend	100 000		
	Ordinary Share final dividend	150 000		
	Preference Share interim dividend	45 000		
	Preference Share final dividend	45 000		
			340 000	
	General Reserve		110 000	450 000
	Undistributed Profit			**850 000**

(b) **Willowvale Ltd: Balance Sheet as at 31 December 2005**

	\$	\$
Authorised Share Capital		
2 000 000 \$1 ordinary shares		2 000 000
1 500 000 9% \$1 preference shares		1 500 000
		3 500 000
Issued Share Capital		
1 500 000 \$1 ordinary shares fully paid	1 500 000	
1 000 000 9% \$1 preference shares fully paid	1 000 000	2 500 000
Revenue Reserves		
General reserve (200 000 + 110 000)	310 000	
Undistributed Profits	850 000	1 160 000
		3 660 000
Shareholders Funds		
Long Term Liabilities		
10% Debentures		500 000
Capital Funds		**4 160 000**

Question 6

Hints

(i) Start the supplementary cash book with an overdraft of $24 850, and do not copy all the entries from 1st March because this will not earn you marks.

(ii) Items (entries) in the bank statement but **not** appearing in the cash book should be identified: standing order – insurance $57 000; bank charges $55 000; credit transfer dividends - $156 500, direct credit – A. Amos - $75 000.

(iii) These items should be entered in the cash book to update it.

(iv) Identify items (entries) in the cash book which are missing in the bank statement: cheques 063 - $67; 066 - $35 00 and deposits F Flower - $110 000 and T. Seedat - $75 650.

(v) These items form part of your Bank Reconciliation Statement.

(vi) Remember that in your supplementary cash book that overdraft of $24 850 is an opening credit entry.

(vii) Take your new balance or overdraft from your supplementary cash book to the bank reconciliation statement.

6 (a)

Updated Cash Book

2006			2006		
Mar 31	Credit transfer:		March 31	Balance b/d	24 850
	Dividends	156 500		Standing order:	
	Direct Credit:			Insurance	57 000
	A. Amos	75 000		Bank charges	55 000
				Balance c/d	94 650
		231 500			**231 500**

(b) **Bank Reconciliation Statement as on 31 March 2006**

Balance as per Cash Book		94 650
Add Unpresented cheques :		
063	76 000	
066	35 000	
		111 000
		205 650
Less: Deposited cheques not yet cleared:		
F.Flowers	110 000	
T.Tambo	75 650	
		185 650
Balance as per Bank Statement		**20 000**

(viii) An alternative answer to 6(b) is given below:

Bank Reconciliation Statement as At 31 March 2006

	$	$
Balance as per Bank Statement		20 000
Add: Deposits not yet cleared:		
F. Flowers	110 000	
T. Seedat	75 650	
		185 650
		205 650
Less: Unpresented cheques		
063	76 000	
066	35 000	111 000
Balance as per cash book		**94 650**

Question 7

Hints

(i) This type of a question is testing you on the basic double entry system. You should be able to identify two accounts which are affected on each transaction.

(ii) Double entry system need careful thought if you are to score high marks. The best approach is to ask yourself these questions: -

- Which two accounts are affected?
- Which account is receiving?
- Which account is giving?

(iii) Remember that a complete double entry has got an account debited and an account credited with the same amount.

(iv) Remember that assets accounts are real accounts and expenses and incomes are nominal accounts.

(v) Writing narrations after the journal entries will not earn you marks since they are not required.

7 (a) **Cross Road Store: The Journal**

		DEBIT	CREDIT
		$	$
2006			
April 1	Office Equipment	66 000	
	Equipment Supplies Ltd		66 000
6	Stationery	9 000	
	City Stationers		9 000
9	Equipment Supplies Ltd	6 000	
	Office Equipment		6 000
13	Bad debts	21 000	
	T. Siyoka		21 000
29	Interest Payable	550	
	City Stationers		550

(b) (i) Furniture for office use -- Real Account

(ii) Goods bought for resale -- Nominal Account

(iii) Stationery for office use -- Nominal Account

ZIMBABWE SCHOOL EXAMINATIONS COUNCIL
General Certificate of Education Ordinary Level

PRINCIPLES OF ACCOUNTS — 7112/1
PAPER 1

NOVEMBER 2007 SESSION — 3 hours

Additional materials:
Answer paper
Multi-column accounting paper (8 sheets)

TIME 3 hours

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces provided on the answer paper.
Answer **all** questions in Section A and any **two** questions from Section B.
Write your answers on the separate answer paper provided.
Start each question on a separate page.
If an answer extends beyond one sheet, all the sheets for that question must be kept together.
All calculations must be shown adjacent to the answer.
Calculators must not be used.
If you use more than one sheet of paper, fasten the sheets together.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [ ] at the end of each question or part question.
Amounts used in this Question Paper are for calculation purposes only.

This question paper consists of 8 printed pages.

[Turn over

Section A

Answer **all** questions in this section.

1 A. Mpala and W. Nkomo are in partnership and their agreement has the following:

- Profits and losses are to be shared between Mpala and Nkomo in the ratio 3:2 respectively.
- Interest on capital is to be allowed at 10% per annum.
- Mpala is to receive an annual salary of $36 000.
- Interest on drawings is to be charged at 5% per annum.
- Capital accounts are to remain fixed.

The following balances were extracted from the partnership books on 31 December 2005 **after** the preparation of the Trading Account.

Trial Balance as at 31 December 2005

		Debit $	Credit $
Land and buildings at cost		750 000	
Furniture, at cost		260 000	
Debtors		29 700	
Bank		24 000	
General expenses		46 650	
Rates and insurance		31 800	
Stock: 31 December 2005		27 150	
Drawings:	A. Mpala	34 000	
	W. Nkomo	30 500	
Capitals:	A. Mpala		395 000
	W. Nkomo		380 000
Current accounts:	A. Mpala	2 500	
	W. Nkomo		4 000
Provision for depreciation on furniture, 1 January 2005			39 000
Gross profit			300 000
Creditors			18 300
Loan – SADC (repayable on 30 June 2007)			100 000
		1 236 300	1 236 300

Additional information:

(i) Interest on loan at the rate of 10% per annum is owing on 31 December 2005.

(ii) Furniture is to be depreciated by 15% per annum on the reducing balance method.

(iii) A telephone bill of $350 is owing on 31 December 2005. Telephone is included in general expenses.

You are required to prepare:

(a) the Partnership Profit and Loss Appropriation Account for the year ended 31 December 2005. [11]

(b) the Balance Sheet as at 31 December 2005. [15]

2 For each of the following transactions given below, name the subsidiary book used, the account debited, the account credited and the source document.

Your answer should be in the form of a table as given below. An example has been done for you.

Example: Bought a motor van for $200 on credit from J.J Motors

	Subsidiary Book	Account Debited	Account Credited	Source Document
e.g.	*Journal Proper*	*Motor Van*	*J.J Motors*	*Invoice*
(i)				
(ii)				
(iii)				

(i) Bought goods for $5 600 on credit from P. Poshai.

(ii) Gumai Transport Operators charged the business $600 for carriage on purchases.

(iii) Paid for stationery $1 500 out of petty cash.

(iv) Paid \$5 600 by cheque to P. Poshai.

(v) Sold goods on credit to B. Banda for \$6000.

(vi) Withdrew \$10 000 from the bank for private use.

(vii) A cheque of \$8 000 received from T. Thandiwe, a debtor, was dishonoured by the bank.

(viii) Sold an old typewriter for \$5 000 on credit to J. Jamela.

(ix) Received spoiled goods from B. Banda \$2 000 in respect of goods sold to him on (v) above. [18]

3 T.Tsuro prepared the following Trial Balance from her ledger balances on 30 June 2004. Unfortunately, the totals disagreed and she had to open a Suspense Account for the difference.

Trial Balance as at 30 June 2004

	Debit \$	Credit \$
Capital – 1 July 2003		22 409
Drawings	15 200	
Debtors	16 500	
Cash at bank	7 474	
Fixtures and fittings	8 400	
Stock – 1 July 2003	11 730	
Creditors		5 540
Sales		194 240
Purchases	151 600	
General expenses	11 800	
Suspense		515
	222 704	222 704

Subsequently, investigations were carried out and the following errors were discovered.

(i) A sale to M. Muleya of \$394 was correctly entered in the Sales Day Book but was wrongly posted to M. Muleya account at \$349.

(ii) Tsuro's private expenses \$600 had been debited to general expenses account.

(iii) A standing order for \$300 for payment of electricity bill had been posted to the wrong side of the bank account but correctly posted to the general expenses account.

(iv) The Purchases Day Book had been undercast by \$400.

(v) A Purchases ledger credit balance of \$360 for Z. Zano had been omitted from the trial balance figure.

You are required to prepare:

(a) Journal entries to correct the above errors. **(Narratives not required).** [10]

(b) The Suspense Account starting with the difference from the Trial Balance. [3]

(c) The Trial Balance as it would appear **after** the correction of all errors. [6]

4 Write down the word(s) or figure(s) required to complete each of the following sentences. **Do not write the whole sentence.**

(a) Carriage inwards is charged to the **(i)** ______________ Account, and carriage outwards is debited to the **(ii)** ______________ Account.

(b) Loans that are going to be repaid in full within the next six months are shown under **(i)** ______________ liabilities, and goodwill is classified as **(ii)** ______________ asset.

(c) Stock of stationery at the close of business is shown in the Stationery Account as a ______________ balance.

(d) The accounting equation that shows how a business is being financed is stated as **(i)** ______________ = **(ii)** ______________ + liabilities.

(e) The provision for bad debts on 1 January 2004 was \$6 500. The sundry debtors on 31 December 2004 were \$150 000. The provision for bad debts was maintained at 5% of debtors. The provision transferred to the Profit and Loss Account is **(i)** ______________ and the net debtors amount to **(ii)** \$ ______________.

(f) Given that the total fixed assets are \$600 000, current assets \$280 000, long-term liabilities \$80 000, and current liabilities \$100 000. The working capital is equal to \$ ______________.

(g) The opening stock of a business is valued at \$75 000 and its closing stock at \$25 000. The business cost of sales total \$250 000. The rate of stock turnover is ______________ times. [11]

SECTION B

Answer any **two** questions from this section

5 The following information was available in the Sales Ledger of B. Chikomo on 1 March 2005.

A. Mutema's Account $15 000 DR

The following transactions were made during the month of March:

2005		
Mar	3	Sold goods to Mutema for $20 000 less 20% trade discount.
	9	Mutema was charged $1 500 interest for late payment.
	15	Mutema paid $16 500 by cheque.
	18	A credit note for defective goods was issued to Mutema in respect of one quarter of the goods sold to him on 3 March.
	20	Supplied further goods to Mutema valued at $30 000.
	22	Mutema paid $11 500 cash in full settlement of the amount owing on the goods sold to him on 3 March.
	25	Mutema received a debit note in respect of an undercharge of $3 000 on the invoice of 20 March.
	28	Mutema paid $18 000 by cheque and was allowed a discount of $800.

You are required to prepare Mutema's Account and balance it on 31 March 2005.

Pay special attention to dates and detail. [13]

6 The following information appeared in the books of P. Phiri:

		$
(i)	Creditors at 1 November 2004	14 100
(ii)	Interest charged on overdue accounts	2 115
(iii)	Cash and cheques paid to creditors	33 910
(iv)	Discounts received	2 205
(v)	Credit purchases for November	34 200
(vi)	Goods returned to creditors	1 130
(vii)	Cash refund from a creditor	120

You are required to:

(a) Prepare and balance the Purchases Ledger Control Account for the month of November 2004. [7]

(b) Name the books of original entry from which each of the entries (ii) to (vii) would be obtained. [6]

7 M. Maushe, a retailer, did not keep his books on the double entry principle but his valuation of assets and liabilities on the dates shown were as follows:

	2004	2004
	1 January	31 December
	$	$
Motor vehicles, at cost	175 000	175 000
Fixtures, at cost	131 000	131 000
Debtors	82 500	97 600
Creditors	64 000	56 700
Bank overdraft	18 900	-
Stock	43 840	49 260
Cash at bank	-	19 400
Prepaid expenses	9 620	3 170

You are required to prepare:

(a) a statement showing Maushe's capital on 1 January 2004. [3]

(b) a statement showing clearly Maushe's Net Profit or Loss for the year ended 31 December 2004, taking into account the following additional information obtained from Maushe on 31 December 2004:

(i) $5 600 of the debts are to be written off as irrecoverable.

(ii) Depreciate motor vehicles by 10% and fixtures by 5%.

(iii) Maushe had withdrawn $15 750 from the bank for private purposes during the year.

(iv) During the year Maushe sold his private vehicle for $28 000 and deposited the amount into the business bank account. [10]

ZIMBABWE SCHOOL EXAMINATIONS COUNCIL
General Certificate of Education Ordinary Level

POSSIBLE ANSWERS

NOVEMBER 2007

PRINCIPLES OF ACCOUNTS 7112/1

Hints and Workings

Hints

(i) Note that the question is for a partnership where after calculating net trading profit, an appropriation of this profit is required.

(ii) Since gross profit is given, one has to start from the profit and loss appropriation account.

(iii) Partner's current accounts are an integral part of the financial statements of a partnership firm and these can be prepared either outside the balance sheet or within the balance sheet but the final balances should be used in the balance sheet if you are to earn marks.

Workings:

(i)	Interest on loan	$^{10}/_{100}$ x $100 000	=	**$10 000**
(ii)	Depreciation: on furniture	$^{15}/_{100}$ x ($260 000 - $39 000)	=	**$33 150**
(iii)	General expenses	($46 650 + $350)	=	**$47 000**

(iv) Interest on drawings should be added to net trading profit; interest on capital and partners' salary debited to profit and loss appropriation account.

1 (a) A. Mpala and W. Nkomo Profit and Loss and Appropriation Account for the year ended 31 December 2005

		$	$
Gross Profit			300 000
Less: Operating Expenses			
Interest on loan		10 000	
General expenses (46 650 + 350)		47 000	
Depreciation: Furniture		33 150	
Rates and insurance		31 800	121 950
Net Trading Profit			178 050
Add: Interest on Drawings			
A. Mpala	$^{5}/_{100}$ x $34 000	1 700	
W. Nkomo	$^{5}/_{100}$ x $30 500	1 525	3 225
			181 275
Less: Interest on capital			
A. Mpala	$^{10}/_{100}$ x $395 000	39 500	
W. Nkomo	$^{10}/_{100}$ x $380 000	38 000	
Salary: A. Mpala		36 000	113 500
			67 775
Share of Profit:			
A. Mpala	$^{3}/_{5}$ x $67 775	40 665	
W. Nkomo	$^{2}/_{5}$ x $67 775	27 110	67 775

1(b) A. Mpala and W. Nkomo Balance Sheet as at 31 December 2005

Capital Employed	$	$	$
Capitals: A. Mpala		395 000	
W. Nkomo		380 000	775 000
Current Accounts	**A. Mpala**	**W. Nkomo**	
Balance b/f	(2 500)	4 000	
Interest on capital	39 500	38 000	
	37 000	42 000	
Salary	36 000	-	
Share on Profit	40 665	27 110	
	113 665	69 110	
less: Drawings	34 000	30 500	
	79 665	38 610	
less: Interest on drawings	1 700	1 525	
	77 965	37 085	115 050
			890 050
Long-term liabilities			
Loan – SADC Bank			100 000
			990 050

Employment of Capital

Fixed Assets	Cost	Acc. Depreciation	N.B.V
Land and buildings	750 000	-	750 000
Furniture (39 000 + 33 150)	260 000	72 150	187 850
	1 010 000	72 150	937 850
Current Assets			
Stock	27 150		
Debtors	29 700		
Bank	24 000	80 850	
Less: Current Liabilities			
Creditors	18 300		
Interest on loan	10 000		
Telephone bill accrued	350	28 650	
Working capital			52 200
			990 050

Question 2

Hints

(i) Do not copy the example, you will not earn marks from it -- it is just a guide.

(ii) Remember that subsidiary books are not account names therefore should be written in full. e.g. purchase journal or book NOT just purchases.

(iii) Goods bought on credit are accompanied by an invoice in this case its a purchases invoice and for credit sales – it is a sales invoice.

(iv) Names of creditors or debtors should be written in full. e.g. Gumai Transport Operators NOT just Operators.

(v) A dishonoured cheque from a debtor should be credited to the cash book and re-debited to the debtor's account in order to replace the debt once cleared.

2

	Subsidiary Book	Account Debited	Account Credited	Source Document
(i)	Purchases Journal	Purchases	P.Poshai	Purchases Invoice
(ii)	Journal Proper	Carriage on Purchases	Gumai Transport Operators	Invoice/ Debit Note
(iii)	Petty Cash Book	Stationery	Petty Cash	Petty Cash Voucher
(iv)	Cash Book	P. Poshai	Bank	Cheque Stub
(v)	Sales Journal	B. Banda	Sales	Sales Invoice
(vi)	Cash Book	Drawings	Bank	Cheque Stub
(vii)	Cash Book	T. Thandiwe	Bank	Bank Statement
(viii)	Journal Proper	J. Jamela	Office Equipment	Invoice
(ix)	Returns Inwards Journal	Returns Inwards	B. Banda	Credit Note

Question 3

Hints

(i) Remember the six errors which do not affect the balancing of the trial balance.

(ii) If you recognise the error as one of the six, remember that correction of such an error should NOT pass through the suspense account.

(iii) Errors which are corrected using the suspense account include:
- Incomplete double entry, i.e. an item entered on one side, e.g. debited but with no corresponding credit entry.
- Completion of double entry using different figures, i.e. an amount on debit side is different from the one on credit for the same transaction.
- Incorrect additions or deductions, i.e. overcast/undercast.
- Where a balance is omitted from the list extracted from the ledger (for this type of an error its correction requires a one legged journal entry because the amount is already there, reposting the amount will double the amount and thus creating another error)

(iv) If you now go through the errors in this question, it should now be easy to correct them and prepare a suspense account and a corrected trial balance.

(v) In our corrected trial balance you must show your workings for the items being corrected

3 (a) **Journal Proper**

	Dr	Cr
	$	$
M. Muleya	45	
Suspense		45
Drawings	600	
General expenses		600
Suspense	600	
Bank		600
Purchase	400	
Suspense		400
Suspense	360	
Creditors		-

(b) **Suspense Account**

	$		$
Bank	600	Difference as per Trial Balance	515
Creditors	360	M. Muleya	45
		Purchases	400
	960		**960**

(c) **Corrected Trial Balance as at 30 June 2004**

	$	$
Capital		22 409
Drawings (15 200 + 600)	15 800	
Debtors (16 500 + 45)	16 545	
Bank (7 474 – 600)	6 874	
Fixtures and Fittings	8 400	
Stock	11 730	
Creditors (5 540 + 360)		5 900
Sales		194 240
Purchases (151 600 + 400)	152 000	
General expenses (11 800 – 600)	11 200	
	222 549	**222 549**

Question 4

Hints

(i) Do not waste time copying the whole sentence, only the missing word or words are required.

(ii) Numbering is very important and it should be done correctly.

(iii) Remember that carriage inwards increases the value of purchases whereas carriage outwards is a selling expense.

(iv) If the provision for bad debt account was created in the past then in the following years you are either increasing that figure or reducing it, i.e.

January 1	Provision for bad debts	=	$6 500
December 31 2004	Provision for bad debts	=	$^5/_{100}$ x $150 000
		=	**$7 500**

Since there was $6 500 at the beginning of the year, you need another $1000 to make it $7 500.

4 (a) (i) Trading Account
(ii) Profit and Loss Account
(b) (i) Current
(ii) Fixed/ intangible / non-current
(c) Debit
(d) (i) Assets (ii) Capital
(e) (i) $1 000 (ii) $142 500
(f) $180 000
(g) 5 times

Question 5

Hints

Pay attention to the following items which tend to confuse students:

(i) Trade discount should be deducted before recording figures in the accounts
(ii) Interest charged to a debtor increases the balance owed by a debtor, therefore debit it in a debtors account.

5

Sales Ledger of B. Chikomo

A. Mutema Account

2005			$	2005			$
Mar	1	Balance b/d	15 000	Mar	15	Bank	16 500
	3	Sales	16 000		18	Returns Inwards	
4 000							
	9	Interest charged	1 500		22	Cash	11 500
						Discount Allowed	500
	20	Sales	30 000		28	Bank	18 000
	25	Sales	3 000			Discount Allowed	800
					31	Balance c/d	14 200
			65 500				**65 500**
April	1	Balance b/d	14 200				

Question 6

Hints

Take note of the following items:-

(i) "Cash refunds from suppliers". These should be recorded on the credit side of the purchases ledger control account.
(ii) Interes. charged to us by our creditors should be credited to the purchases ledger control account.

6 (a) **Creditors Control Account**

2004		$	2004		$
Nov 31	Cash & bank	33 910	Nov 1	Balance b/d	14 100
	Discounts Received	2 205	30	Interest payable	2 115
	Returns Outwards	1 130		Purchases	34 200
	Balance c/d	13 290		Cash refund	120
		50 535			50 535
			Dec 1	Balance b/d	13 290

(b) (ii) Journal Proper
(ii) Cash book
(iv) Cash book
(v) Purchases Journal
(vi) Returns outwards Journal
(vii) Cash Book

Question 7 (a)

Hints

(i) Calculation of capital if given assets and liabilities is simply applying the accounting equation.

(ii) The question requires a statement, therefore an opening statement or a statement of affairs can be done but NOT a mathematical calculation.

Question 7 (b)

(i) Since opening capital has been calculated on 7 (a), then it can be used to prepare a statement of affairs as at 31 December 2004.

(ii) Remember that funds from private resources of the owner invested into the business are additional capital.

7 (a) **Statement of Affairs of M. Musa as at 1 January 2004**

	$	$
Assets:		
Motor vehicles	175 000	
Fixtures	131 000	
Debtors	82 500	
Stock	43 840	
Prepaid expenses	9 620	441 960
Less: Liabilities		
Creditors	64 000	
Bank overdraft	18 900	82 900
Capital		359 060

(b) **M. Mussa Statement of Affairs as at 31 December 2004**

Fixed Assets	**Cost**	**Depr.**	**N.B.V**
Motor vehicles	175 000	17 500	157 500
Fixtures	131 000	6 550	124 450
	306 000	24 050	281 950
Current Assets			
Stock		49 260	
Debtors (97 600 – 5 600)		92 000	
Bank		19 400	
Prepaid expenses		3 170	
		163 830	
Less: Current liabilities			
Creditors		56 700	107 130
			389 080
Financed by:			
Capital	359 060		
Additional Capital	28 000	387 060	
Add: Net Profit		17 770	404 830
Less: Drawings			15 750
Owner's Equity			**389 080**

ZIMBABWE SCHOOL EXAMINATIONS COUNCIL

General Certificate of Education Ordinary Level

PRINCIPLES OF ACCOUNTS 7112/1

PAPER 1

JUNE 2008 SESSION **3 hours**

Additional materials:
- Answer paper
- Multi-column accounting paper (8 sheets)

TIME 3 hours

INSTRUCTIONS TO CANDIDATES

Write your name. Centre number and candidate number in the spaces provided on the answer paper.
Answer **all** questions in Section A and any **two** questions from Section B.
Write your answers on the separate answer paper provided.
Start each question on a separate page.
If an answer extends beyond one sheet, all the sheets for that question must be kept together.
All calculations must be shown adjacent to the answer.
Calculators must not be used.
If you use more than one sheet of paper, fasten the sheets together.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [ ] at the end of each question or part question.
Amounts used in this Question Paper are for calculation purposes only.

This question paper consists of 9 printed pages and 3 blank pages.

Section A

Answer **all** questions in this section.

1 The following Trial Balance was extracted from the books of G. Rashe, a retailer, on 31 December 2004:

Trial Balance as at 31 December 2004

	Debit	Credit
	$	$
Capital: 1 January 2004		340 000
Drawings	68 000	
Stock: 1 January 2004	45 600	
Petty cash	16 850	
Bank overdraft		29 200
Sundry debtors	76 000	
Sundry creditors		57 800
Motor vans, at cost	180 000	
Fixtures and fittings, at cost	120 000	
Purchases	160 000	
Provision for bad debts: 1 January 2004		6 900
Sales		315 000
Returns	12 000	9 000
Sundry expenses	6 300	
Carriage inwards	17 700	
Rent and rates	22 160	
Interest on overdraft	4 450	
Discounts	9 700	8 100
Provision for depreciation: 1 January 2004		
Motor vans		18 000
Fixtures and fittings		10 000
Salaries and wages	55 240	
	794 000	794 000

The following matters are to be taken into account:

(i) Stock at 31 December 2004 was valued at $48 900.

(ii) One-quarter of the salaries and wages was for staff employed in re-packaging goods bought for resale.

(iii) A cheque of $8 700 was paid to a creditor on 31 December 2004 but had not been entered in the books at the close of business.

(iv) Provision for bad debts is to be reduced to \$6 000 and a provision for discounts allowed of 5% of the net debtors is to be created.

(v) Depreciate motor vans at 10% p.a. on cost and fixtures and fittings by \$10 000.

(vi) Rates paid in advance at 31 December 2004 amounted to \$4 200.

You are required to prepare:

(a) the Trading and Profit and Loss Accounts for the year ended 31 December 2004. [13]

(b) the Balance Sheet as at 31 December 2004. [13]

2 (a) The following account appeared in the Ledger of N. Nkiwane.

T. Thodhlana

2004		$	2004		$
January 1	Balance b/d	2 720	January 6	Bank	2 702
15	Sales	1 156		Discount	18
19	Sales	1 366	18	Returns	120
25	Sales	34			
29	Typewriter	2 100			

Answer the following questions relating to the **above** account.

(i) Explain what the balance on 1 January means.

(ii) Calculate the balance on 31 January.

(iii) What name is given to the discount on January 6?

(iv) In which subsidiary book was the discount originally entered?

(v) For what reason would the discount be given?

(vi) The entry on 25 January relates to an undercharge on the goods sold on 19 January. What document did N. Nkiwane send to T. Thodhlana?

(vii) State the full name for the returns on 18 January.

(viii) Name the subsidiary book used for the entry on January 29.

(ix) In which ledger of N.Nkiwane is T. Thodlana's Account found?

(x) Where exactly in the Balance Sheet is the balance in T. Thodhlana's Account on 1 February found? [10]

(b) The following transactions relate to the business of D. Desert for the month of December 2004.

2004		$
December 1	Stock of unused fuel	36 000
10	Bought fuel by cheque	10 000
15	Bought fuel on credit form Wedzera Oil Company	14 000
20	Bought fuel for cash	8 000
29	Stock of unused fuel	22 000

Prepare and balance the Motor Fuel Account. *Pay special attention to dates and detail.* [6]

3 K. Kondo, a hairdresser, received her bank statement on 1 May 2005 with the following details:

	$
Balance as on 30 April 2005	275 000
Bank charges	10 000
Standing order: Insurance	29 500
Credit transfer: dividends	67 300
Dishonoured cheque R/D	13 700
Direct debit: ZESA	18 450
Interest Earned	9 550

The following information was also available:

	$
The balance brought down in the cash book was	249 800
Unpresented cheques	65 000
Bank deposits entered in the cash book but not yet credited on the bank statement	70 000

On analysis of the bank statement, Kondo discovered that she had been incorrectly credited with $25 000 belonging to R. Kondo, by the bank.

You are required to prepare:

(a) an amended Cash Book. [8]

(b) the Bank Reconciliation Statement as on 1 May 2005. [8]

4 The following information has been extracted from the books of Special Service Ltd for the month of September 2005:

		$
(i)	Total debtors balance at 1 September	440 000
(ii)	Cash sales for the month	942 000
(iii)	Credit sales	800 000
(iv)	Cash received from debtors	350 000
(v)	Discounts allowed to debtors	120 000
(vi)	Bad debts written off	70 000
(vii)	Doubtful debts provision	90 000
(viii)	Cheques received from debtors	250 000
(ix)	Balances in sales ledger, off set against purchases ledger accounts	8 500
(x)	A debtor, who had been allowed a cash discount of $20 000, had his cheque returned by the bank marked **'refer to drawer'**	100 000

(a) Prepare a Sales Ledger Control Account for the month of September. [6]

(b) State the subsidiary books from which entries (ii), (iii), (v), (vi), (vii), (viii) and (x) are extracted. [7]

(c) State any **three** purposes of preparing Control Accounts. [3]

SECTION B

Answer any **two** questions from this section

5 S. Zimba, who owns Gwanda Grocery Shop, provided a qualified bookkeeper with the following details of his financial position:

	2004 December 31 $	2005 December 31 $
Cash in hand	122 000	28 000
Cash at bank	260 000	
Bank overdraft		152 000
Equipment at cost	1 100 000	1 100 000
Trade debtors	314 000	278 000
Trade creditors	136 000	190 000
Stock	210 000	256 000
Insurance prepaid	157 000	111 000
Accrued rent	225 000	101 000

The following information was available:

(i) During 2005, Zimba withdrew $100 000 in cash every month for personal use and goods worth $50 000 every two months.

(ii) Depreciation on equipment is at the rate of 20% per annum on the written down value.

(iii) Equipment was bought on 1 January 2004.

You are required to prepare:

(a) a Statement of Affairs as at 31 December 2004. [6]

(b) a Statement of Affairs as at 31 December 2005 showing clearly the net profit for the year. [7]

[Turn over

6 R. Taona prepared the following Trial Balance on 31 March 2004:

	DEBIT $	CREDIT $
Delivery vehicles	114 000	
Stock: 1April 2003	25 150	
Debtors	33 750	
Bank	21 600	
Creditors		27 320
Purchases	151 250	
Sales		204 250
Discount allowed	4 570	
Rates	14 000	
Capital: 1 April 2003		160 000
Drawings	30 000	
Sundry expenses	12 500	
Suspense		15 250
	406 820	406 820

Subsequently the following errors were discovered and when the necessary amendments had been made in the accounts, the Suspense Account balance was eliminated:

(i) The Sales day book had been undercast by $15 200.

(ii) A sale of goods to T. Shrub for $1 240 had been posted to the wrong side of T. Shrub's account.

(iii) Discount allowed to a debtor, S. Forest, correctly entered in the Cash Book as $680 had been posted to her account as $860.

(iv) A rates payment of $2 710 had been debited twice in the Rates Account.

(v) A purchase of a delivery scooter for $40 000 had been entered in the Purchases Account.

You are required to:

(a) draw up the Suspense Account. [5]

(b) rewrite the Trial Balance as it would appear after the correction of the errors. [6]

(c) state any **two** errors not revealed by a trial balance. [2]

7 H. Hasan owned a small factory. The following balances were extracted from his books on 31 December 2004.

	$
Stocks (1 January 2004):	
Raw materials	50 000
Finished goods	75 000
Work-in-progress	30 000
Purchases of raw materials	505 000
Sales of finished goods	1 900 000
Factory direct wages	150 000
Factory overheads	260 000
Patent fees	70 000
Stocks (31 December 2004):	
Raw materials	40 000
Finished goods	60 000
Work-in-progress	20 000
Selling and administration	21 000
Carriage outwards	19 000

You are required to prepare:

(a) the Manufacturing Account for the year ended 31 December 2004. [10]

(b) the Trading and Profit and Loss Account for the year ended 31 December 2004. [3]

ZIMBABWE SCHOOL EXAMINATIONS COUNCIL

General Certificate of Education Ordinary Level

POSSIBLE ANSWERS

JUNE 2008

PRINCIPLES OF ACCOUNTS 7112/1

Question 1

Hints and Workings

(i) One-quarter of the salaries and wages for staff employed in the re-packaging of goods bought for resale increases the value of purchases, therefore should be added to purchases in the Trading Account.

(ii) Cheque paid to a creditor omitted reduces the creditors' balance and increases the overdraft.

(iii) Remember that provisions for discounts allowed to debtors is done after deducting provisions for bad debts from the debtors' figure, i.e. \$76 000 - \$6 000 = **\$70 000.**
Therefore provisions for discounts allowed $^{5}/_{100}$ x \$70 000 = **\$3 500.**

(iv) Depreciation on motor vans = $^{10}/_{100}$ x \$180 000 = **\$18 000.**
Depreciation on fixtures and fittings = **\$10 000.**

(v) Rates and rent = \$22 160 - \$4 200 = **\$17 960.**

1 (a) **G. Rashe: Trading and Profit and Loss Accounts for the Year ended 31 December 2004**

	\$	\$	\$
Sales		315 000	
less Returns Inwards		12 000	
Turnover			303 000
less Cost of Sales:			
Opening Stock		45 600	
add Purchases	160 000		
add Carriage inwards	17 700		
add Re-packaging wages	13 810		
	191 510		
less returns outwards	9 000		
net purchases		182 510	
		228 110	
less Closing stock		48 900	
			179 210
Gross Profit			**123 790**
add Discount received			8 100
Decrease in Provision for bad debts			900
			132 790
less expenses			
Rent and rates (22 160 – 4 200		17 960.	
Interest on overdraft		4 450	
Discount allowed		9 700	
Sundry expenses		6 300	
Provision for discounts allowed		3 500	
Salaries and wages		41 430	
Depreciation on: Motor vans		18 000	
Fixtures and fittings		10 000	
			111 340
Net Profit			21 450

(b) G. Rashe : Balance Sheet as at 31 December 2004

Fixed Assets	Cost	Depreciation	N.B.V
	$	$	$
Motor vans	180 000	36 000	144 000
Fixtures and fittings	120 000	20 000	100 000
	300 000	56 000	244 000
Current Assets			
Stock		48 900	
Sundry debtors (76 000–6 000– 3 500)		66 500	
Prepaid rates		4 200	
Petty cash		16 850	
		136 450	
Less Current Liabilities			
Sundry creditors (57 800 – 8 700)	49 100		
Bank overdraft (29 200 – 8 7 00)	37 900	87 000	
			49 450
			293 450
Financed by:			
Capital	340 000		
Add Net Profit	21 450	361 450	
less Drawings		68 000	293 450

Question 2 (a)

Hints and Workings

(i) Remember that debtors normally carry debit balances and the items sales is a clear guide that T. Thodhlana is a debtor's account

(ii) Writing the whole question before writing the answer will not earn you marks, just write the answers.

(iii) Numbering is very important. therefore on such questions you are encouraged to follow the order of numbering on the question

Question 2 (b)

(i) Students should always remember that the main reason for drawing up an expense account in the ledger is to calculate the correct expense for that item for that financial year to be transferred to the profit and loss account. Failure to show the correct transfer to profit and loss account is a clear misinterpretation of the question.

(ii) Paying special attention to dates means showing the year, the month and the day when each transaction took place on both sides of the account but in this account, the year can be written once on both sides. i.e.

Motor Fuel Account

2004	2004
Dec 1	Dec 29

since all the transactions took place in the same year and same month.

(iii) Students must show the amount of motor fuel transferred to the profit and loss account, remembering that the closing transfer to profit and loss account from an expense account is done through the credit side and that for a gain is done through the debit side.

2 (a) (i) T. Thodlana owes N. Nkiwane $2 720
(ii) $4 536
(iii) Discount allowed
(iv) Cash book
(v) Prompt payment
(vi) Debit note/Invoice
(vii) Returns Inwards/Sales Returns
(viii) Journal proper/Journal/General Journal
(ix) Sales Ledger/Debtors Ledger
(x) Current assets

D. Desert's Ledger
MOTOR FUEL ACCOUNT

2004		$	2004		$
December 1	Balance b/d	36 000	Dec 31	Profit and loss	46 000
10	Bank	10 000		Stock of fuel c/d	22 000
15	Wedzera Oil Company	14 000			
20	Cash	8 000			
		68 000			**68 000**
2005					
Jan 1	Stock of fuel b/d	22 000			

Question 3

Hints

This type of a question appears regularly on question papers.

(i) Remember that when updating the cash book, you should start with the balance brought down in the cash book of $249 800
(ii) Enter in the supplementary cash book, those items which appear in the bank statement and NOT in the cash book, e.g. bank charges, standing order, etc.
(iii) Items which appear in the cash book but not in the bank statement, e.g. uncleared deposits, unpresented cheques are used to prepare a bank reconciliation statement.
(iv) A mistake appearing on the bank statement cannot be corrected in the bank statement but such an error is corrected in the bank reconciliation statement. A firm cannot change the figures within a bank statement since it is a document from the bank, e.g. deposits wrongly credited, i.e R Kondo. But a mistake in the cash book can be corrected either in the cash book or in the bank reconciliation statement
(v) Remember that operations are extremely important

3 (a) K. Kondo's: Amended Cash Book

2005		$	2005		$
May 1	Balance b/d	249 800	May 1	Bank charges	10 000
	Credit Transfer:			Standing order:	
	Dividends	67 300		Insurance	29 500
	Interest earned	9 550		R/D cheque	13 700
				Direct Debit : ZESA	18 450
				Balance c/d	255 000
		326 650			**326 650**

(b) **Bank Reconciliation Statement as on 1 May 2005**

	$
Balance as per Bank Statement	275 000
less error : R Kondo's credit	25 000
Corrected balance (bank)	250 000
add deposits not yet credited by bank	70 000
	320 000
less Unpresented cheques	65 000
Balance as per Cash Book	**255 000**

OR

Balance as per cash book	255 000
add: Unpresented cheques	65 000
	320 000
less: deposits not yet credited	70 000
	250 000
add: error: R. Kondo's credit	25 000
Balance as per bank statement	**275 000**

Question 4

Hints

(i) "Debtors at 12 September - $440 000" is the balance of debtors brought forward from previous month.

(ii) Debtors buy goods or services on credit therefore cash sales of $942 000 were just given to confuse you; they are not part of the sales ledger control account.

(iii) Balance in sales ledger, off set against purchases ledger accounts are a set-off so they should be credited in the sales ledger control account.

(iv) A debtor whose cheque was returned by the bank marked "refer to drawer" must be re-debited with the value of the cheque $100 plus the discount once allowed to him of $20. These two should be again debited to the sales ledger control account in order to have the correct balance of debtors.

(v) A good knowledge of subsidiary books and their uses is required to answer part (b) of this question.

(vi) Students should remember that control accounts do not correct errors nor do they prevent fraud, BUT they locate errors and reduce fraud.

4 (a) **Sales Ledger Control Account**

2005		$	2005		$
Sept 1	Balance b/d	440 000	Sept 30	Cash	350 000
30	Credit Sales	800 000	30	Discounts allowed	120 000
30	Bank-returned chq	100 000		Bad debts w/off	70 000
30	Discount disallowed	20 000		Bank	250 000
				Set off	8 500
				Balance c/d	561 500
		1 360 000			**1 360 000**
Oct 1	Balance b/d	561 500			

(b) (ii) Cash Book

(iii) Sales Day book/Sales Journal

(v) Cash Book

(vi) Journal Proper/General Journal/Journal

(vii) Journal Proper/General Journal/Journal
(viii) Cash Book
(x) Cash Book

(c) - to reduce fraud
- summarise debtors and creditors
- to help locate errors
- facilitate preparation of final accounts

Question 5

Hints

(i) Statement of affairs as at 31 December 2004 will help you to calculate the capital at the beginning, i.e. January 1, 2005.

(ii) The statement of affairs as at 31 December 2005 will help you to deduce the net profit for the year.

Workings

(i) Drawings are \$1 500 000 (\$ 1 200 000 + \$300 000).

(ii) Depreciation on equipment is at the rate of 20% per annum on the reducing balance method.
Therefore by December 2004 – $^{20}/_{100}$ x \$1 100 000 = **\$220 000.**
December 2005 = $^{20}/_{100}$ x (\$1 100 000 - \$220 000) = **\$176 000**

5 (a) **S. Zimba : Statement of Affairs at 31 December 2004**

	Cost	Acc. Depr.	N.B.V.
FIXED ASSETS	\$	\$	\$
Equipment	1 100 000	220 000	880 000
Current Assets			
Stock	210 000		
Trade debtors	314 000		
Insurance prepaid	157 000		
Bank	260 000		
Cash	122 000		
		1 063 000	
Less: Current Liabilities			
Trade creditors	136 000		
Accrued rent	225 000		
		361 000	
			702 000
			1 582 000
Financed by:			
Capital			1 582 000

(b) Statement of Affairs as at 31 December 2005

Fixed Assets	**At Cost**	**Accumulated Depreciation**	**Net Book Value**
	$	$	$
Equipment	1 100 000	396 000	704 000
Current Assets			
Stock	256 000		
Debtors	278 000		
Insurance prepaid	111 000		
Cash in hand	28 000		
		673 000	
Less: **Current Liabilities**			
Creditors	190 000		
Rent accrued	101 000		
Bank overdraft	152 000		
		443 000	
			230 000
			934 000
Financed by:			
Capital	1 582 000		
less drawings (1 200 000 + 300 000)	1 500 000		
		82 000	
add Net profit		852 000	
			934 000

Question 6

Hints

This is one of the common questions in most past examination papers.

(i) Drawing up of journal entries to correct errors will be part of your workings but no marks are awarded to those journal entries. i.e.

		DR	CR
		$	$
(i)	Suspense	15 200	
	Sales		15 200
(ii)	T. Shrub	2 480	
	Suspense		2 480
(iii)	S. Forest - Debtor	180	
	Suspense		180
(iv)	Suspense	2 710	
	Rates		2 710
(v)	Delivery scooter	40 000	
	Purchases		40 000

(ii) The above journal entries are a guide as to what should be debited and credited to the suspense account and how some of the above accounts should be corrected when re-writing the trial balance.

(iii) Error number 5, is an error of principle therefore do not affect the agreement of the trial balance but the delivery scooter account was undercast by $40 000 while the purchases account had an overcast, $40 000. You simply transfer the $40 000 from Purchases Account to Delivery Scooter Account.

6 (a) **Suspense Account**

2004		$	2004		$
March 31	Sales	15 200	March 31	Balance	15 250
	Rates	2 710	31	T. Shrub	2 480
				S. Forest	180
		17 910			**17 910**

(b) **R. Taona : Trial Balance as at 31 March 2004**

	DEBIT $	**CREDIT** $
Delivery vehicles (114 000 + 40 000)	154 000	
Stock at 1 April 2003	25 150	
Debtors (33 750 + 2 480 + 180)	36 410	
Creditors		27 320
Bank	21 600	
Purchases (151 250 – 40 000)	111 250	
Sales (204 250 + 15 200)		219 450
Discount allowed	4 570	
Rates (14 000 – 2 710	11 290	
Capital 1 April 2003		160 000
Drawings	30 000	
Sundry expenses	12 500	
	406 770	**406 770**

(c) Errors of commission
Errors of Principle, compensating errors
Errors of original entry
Errors of omission
Complete reversal of entries

Question 7

Hints

(i) The main objective of a manufacturing account is to establish the cost of goods produced or cost of finished goods in a given particular trading period. Therefore the total cost of all the manufacturing components must be included in this account and added together. The manufacturing account is an equation made up of the following components:-

- Raw materials, i.e. cost of raw material consumed in the production of goods PLUS Direct Costs PLUS overhead expenses, i.e. all the INDIRECT manufacturing expenses

PLUS opening stock of work-in-progress MINUS closing stock of work-in-progress EQUALS total cost of manufactured goods.

(ii) Note that work-in-progress, i.e. adjustments for the uncompleted goods which have been partially manufactured the assumption is that opening stock of work-in-progress will be completed in the current year that is why it must be added and the partially completed goods at the end will be completed in the following year that is why it is deducted.

(iii) Note that the patent fees are a direct cost which is a component of the prime cost.
(iv) Carriage outwards is a selling expense which must be included in the profit and loss account.

7 (a) **Manufacturing Account of H. Hassan for the year ended 31 December 2004**

		$	$
Opening Stock of raw materials		50 000	
Add Purchases of raw materials		505 000	
		555 000	
less Closing stock of raw materials		40 000	
Cost of raw materials consumed			**515 000**
add	Direct wages		150 000
	Patent fees		70 000
	Prime Cost		**735 000**
add	Factory overheads		260 000
			995 000
add	Work-in progress (1 Jan 2004)		30 000
			1 025 000
less Work-in progress (31 December 2004)			20 000
Total Cost of Production c/d			**1 005 000**

(b) **Trading Account of H. Hassan for the year ended 31 December 2004**

		$	$
Sales of finished goods			1 900 000
Less Cost of sales:			
Opening stock of finished goods		75 000	
Add Cost of Production		1 005 000	
		1 080 000	
less Closing stock of finished goods		60 000	
			1 020 000
Gross Profit c/d			**880 000**
less	Expenses		
	Selling and administration	21 000	
	Carriage outwards	19 000	(40 000)
	Net profit		**840 000**

ZIMBABWE SCHOOL EXAMINATIONS COUNCIL

General Certificate of Education Ordinary Level

PRINCIPLES OF ACCOUNTS 7112/1

PAPER 1

NOVEMBER 2008 SESSION **3 hours**

Additional materials:
Answer paper
Multi-column accounting paper (8 sheets)

TIME 3 hours

INSTRUCTIONS TO CANDIDATES

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INFORMATION FOR CANDIDATES

The number of marks is given in brackets [ ] at the end of each question or part question.
Amounts used in this Question Paper are for calculation purposes only.

This question paper consists of 9 printed pages and 3 blank pages .

Section A

Answer **all** questions in this section.

(ii) M. Khumalo owns a retail shop. The following trial balance was extracted from her books on 31 December 2005.

Trial Balance as at 31 December 2005

	Debit $	Credit $
Capital		528 000
Drawings	100 000	
Fixtures and fittings at cost	120 000	
Delivery van at cost	300 000	
Provision for depreciation:		
Fixtures and fittings on 1 Jan 2005		12 000
Delivery Van		30 000
Purchases	850 000	
Sales		1 900 000
Stock at 1 January 2005	120 000	
Advertising	60 000	
Salaries and wages	230 000	
Insurance	35 000	
Rent	65 000	
Repairs	90 000	
Commission earned		150 000
Premises	700 000	
Bank		58 000
Provision for bad debts 1 January 2005		2 000
Debtors	30 000	
Creditors		20 000
	2 700 000	2 700 000

Additional information:

(ii) Stock at 31 December 2005 was valued at $185 000.

(ii) Goods worth $10 000 had been taken by Khumalo from the business for private use at selling price. No record had been made in the books.

(iii) Depreciation is as follows:

- Fixtures and fittings 10% per annum using the reducing balance method.
- Delivery van 10% per annum using the straight line method.

(iv) The insurance figure of \$35 000 includes \$15 000 covering a period of six months ending 31 March 2006.

(v) Interest on overdraft of \$5 000 had not been recorded in the books.

(vi) Provision for bad debts decreased by \$500.

You are required to prepare:

(a) the Trading, Profit and Loss Account for the year ended 31 December 2005. [12]

(b) the Balance Sheet as at 31 December 2005. [13]

2 (a) The following accounts appeared in the General Ledger of Kupfuma, who owns a retail shop and sublets part of his premises.

RENT RECEIVED ACCOUNT

2006	\$	2006	\$
June 30 Profit and Loss Account	480 000	January 1 Balance b/d	100 000
		March 25 Cash	180 000
		June 30 Balance c/d	200 000
	480 000		480 000
July 1 Balance b/d	200 000		

(i) What does the balance of \$100 000 represent?

(ii) Give the transaction relating to the entry on 25 March 2006.

(iii) What is the amount of rent chargeable to the tenant for half year ended 30 June 2006?

(iv) Where exactly in the balance sheet does the balance of \$200 000 appear? [4]

[Turn over

PACKING MATERIALS ACCOUNT

2006		$	2006		$
January 1	Balance b/d	120 000	June 30	Trading Account	430 000
March 30	Grand Supplies	240 000	June 30	Balance c/d	60 000
June 25	Bank	130 000			
		490 000			490 000
July 1	Balance b/d	60 000			

(i) What does the balance of $120 000 represent?

(ii) Give the transaction relating to the entry on March 30.

(iii) What is the value of the packing materials used during the half year?

(iv) Where exactly in the balance sheet does the balance of $60 000 appear? [4]

(b) The following balance appeared in the Sales Ledger of N. Ncube on 1 March 2006.

D. Pasi $960 000 Dr

During the month of March, the following transactions took place:

March 3 Received $900 000 cash from D. Pasi in full settlement of his February account.

5 Sold goods on credit to D. Pasi for $750 000 less 10% trade discount.

7 Sent a credit note to D. Pasi for unsatisfactory goods worth $75 000 net.

20 Received a cheque from D. Pasi of $600 000.

31 The cheque received from D. Pasi on 20 March was returned by the bank marked **"Refer to drawer."**

You are required to prepare the Ledger account of D. Pasi and balance it on 31 March 2006. [8]

Pay special attention to dates and details

3 State the **word**(s) or **figure**(s) required to complete each of the sentences given below. Do **not** copy the whole sentence.

(a) Asset accounts have **(i)** _______________ balances and accounts for liabilities have **(ii)** _______________ balances.

(b) The rate of stock turnover is found by dividing cost of sales by_______________ .

(c) A _______________ note is sent to a customer showing an allowance given by a supplier for goods damaged in transit.

(d) The purchase of fixed assets is **(i)** _______________ expenditure and payments for operating expenses are **(ii)** _______________ expenditure.

(e) If closing stock is undervalued, net profit will be _______________ .

(f) Debentures earn a fixed rate of **(i)** _______________ and preference shares earn a fixed rate of **(ii)** _______________ .

(g) Interest on capitals is a _______________ entry in the Profit and Loss Appropriation Account.

(h) Fixed assets are valued at $600 000, current assets are $200 000 and current liabilities total $300 000. The purchase price of a business is $900 000. Goodwill is therefore $ _______________ .

(i) Prime cost is the sum of **(i)** _______________ and **(ii)** _______________ .

(j) The production cost of goods completed is added to the **(i)** _______________ stock of finished goods in the **(ii)** _______________ Account.

(k) Two methods of depreciation are **(i)** _______________ method and the **(ii)** _______________ method.

(l) Expenses incurred by the business for which no payment has been made are called **(i)** _______________ and appear in the balance sheet as current **(ii)** _______________ . [19]

4 B. Choto prepared the following trial balance as on 31 December 2005.

	DEBIT	CREDIT
	$	$
Debtors	40 000	
Creditors		20 000
Sales		220 000
Purchases	140 000	
Stock	65 000	
Sundry expenses	15 000	
Cash at bank	22 000	
Motor vehicles	60 000	
Drawings	10 000	
Fixtures and fittings	100 000	
Discount allowed	5 000	
Discount received		3 000
Capital		241 000
	457 000	484 000

The trial balance totals did not agree and a Suspense Account was opened for the difference. Investigations later revealed the following errors:

(i) The purchase of additional fixtures and fittings for $30 000 had been debited to the Purchases Account.

(ii) The purchases day book had been undercast by $10 000.

(iii) Purchases of $19 800 from S. Moyo had been correctly entered in the purchases journal but were posted to his account as $18 900.

(iv) An item of $5 100 had been debited twice in the Sundry Expenses Account.

(v) The sale of goods to D. Nkomo $12 000 had been posted to the wrong side of her account.

(vi) Discount received amounting to $500 was debited to the Discount Allowed Account.

You are required to

(a) Show the journal entries necessary to correct the above errors. [7]

(b) prepare the Suspence Account [7]

SECTION B

Answer any **two** questions from this section

5 B.Siwela is a retailer. The following are her business transactions for the month of July 2007.

(i) Paid $100 000 by cheque to trade creditors.

(ii) Bought office equipment on credit for $550 000.

(iii) Siwela withdrew $90 000 from the business bank account to pay for her daughter's school fees.

(iv) Siwela received a credit note for $150 000 in respect of goods she had returned to the supplier.

(v) Customers owing $110 000 had their accounts written off as irrecoverable.

(vi) Siwel. brought her private motor vehicle valued at $1 200 000 into the business.

Copy the following format for your answer:

Item Number	Effect On Capital	Effect on Working Capital
(i)		
(ii)		
(iii)		
(iv)		
(v)		
(vi)		

You are required to state, under the appropriate heading, the effect of each **transaction** on Siwela's capital and on working capital. State your answer by writing **increase, decrease** or **no effect** under each heading. [12]

(b) State the accounting equation. [1]

6 Tsovani Manufacturing Company provides you with the following information on 31 March 2007.

Stocks 1 April 2006:	$
Raw materials	15 500
Work-in-progress	18 100
Finished goods	19 300
Raw materials purchased	55 000
Returns on raw materials	7 500
Depreciation of plant and machinery	6 100
Royalties	10 800
Carriages on purchases	9 600
Manufacturing wages	36 000
Factory wages	10 000
Repairs on plant and machinery	13 200
Rent and rates	24 000
Factory power	16 900
Administration expenses	22 000
Patent fees	24 500
Selling expenses	52 800
Stocks, 31 March 2007.	
Raw materials	17 700
Work-in-progress	20 800
Finished goods	21 200

Additional information:

(i) Factory wages amounting to $6 800 were owing at the end of the year.

(ii) Rent and rates to be shared: factory $\frac{3}{4}$ and office $\frac{1}{4}$.

You are required to prepare Tsovani's Manufacturing Account for the year ended 31 March 2007 [13]

7 N. Ndou and D. Dube agreed to form a partnership on 1 May 2006. Their balance sheets as individual retailers on 30 April 2006 were as follows:

N. Ndou Balance Sheet as at 30 April 2006.

	$		$
Capital	750 000	Fixtures and fittings	400 000
Creditors	250 000	Furniture	260 000
		Stock	90 000
		Debtors	110 000
		Bank	140 000
	1 000 000		1 000 000

D. Dube Balance Sheet as at 30 April 2006.

	$		$
Capital	1 000 000	Buildings	800 000
Creditors	400 000	Motor vehicles	300 000
		Stock	150 000
		Debtors	80 000
		Bank	70 000
	1 400 000		1 400 000

Ndou and Dube agreed to come together on the following terms:

(i) Ndou's furniture was revalued at $240 000 and Dube's buildings at $950 000.

(ii) An amount of $10 000 was to be written off Ndou's debtors.

(iii) All other assets and liabilities were to be taken over at their balance sheet values.

(iv) Dube will not bring his motor vehicles to the new business.

(v) Ndou will bring in additional $150 000 cash as part of his capital.

You are required to:

(a) Calculate each partner's capital on 1 May 2006. [6]

(b) Prepare the partnership Balance Sheet as at 1 May 2006. [7]

ZIMBABWE SCHOOL EXAMINATIONS COUNCIL
GENERAL CERTIFICATE OF EDUCATION ORDINARY LEVEL

POSSIBLE ANSWERS

NOVEMBER 2008

PRINCIPLES OF ACCOUNTS 7112/1

Hints on Question 1

This question is designed to test your skills in the preparation of financial accounts of a sole proprietor. The first step is to calculate gross profit/loss which must be used in the profit and loss account in order to ascertain the Net Profit/Loss. This Net Profit/Loss should be later used in the Balance Sheet as an addition or deduction to/from Capital. Therefore one need to decide first the items which affect the Trading Account; Profit and Loss Account and the Balance Sheet so as to avoid just a mere listing of items in these statements.

Question 1 (a)

(i) Goods taken by owner, M. Khumalo for private use, are drawings, they should be deducted from purchases or from stock BUT in this case they will be added to sales because they were taken at their selling price. Since the margin or the mark-up is not given therefore the cost of these goods worth $10 000 cannot be ascertained. You cannot deduct a figure at selling price from a figure which is at cost.

Workings

(ii) Debit the Profit and Loss Account with depreciation as follows:

On fixtures and Fittings: $^{10}/_{100}$ x (120 000 – 12 000)
= **10 800**

On Delivery Van: $^{10}/_{100}$ x 300 000
= **30 000**

(iii) Insurance – M. Khumalo's trading period ends on 31 December 2005 yet in the insurance figure of $35 000, there is $15 000 covering 6 months up to 31 March 2006. Therefore, half of this amount, i.e. $7 500 is outside the current trading period and is a prepayment for the following year. Therefore debit Profit and Loss Account with insurance, i.e. $35 000 - $7 500 = **$27 500.**

(iv) Interest on overdraft not recorded during the year requires double entry, i.e.
DR - interest on overdraft
CR - Bank Account

Debit Profit and Loss Account with the interest on overdraft, $5 000, in the Balance Sheet add the interest on overdraft $5 000 to the Bank Overdraft.

(v) Decrease in Provision For Bad Debts is added to other income in the profit and loss account, in the balance sheet the $500 is deducted from $2 000 before deducting it from debtors. In the Balance Sheet, calculation for debtors will be: - $30 000 - $1 500 = **$28 500**.

Question 1 (a)

M. Khumalo: Trading, Profit and Loss Account for the year ended 31 December 2005.

Opening Stock	120 000	Sales	1 900 000
Purchases	850 000	Add: Drawings	10 000
	970 000		
less Closing stock	185 000		
Cost of goods sold	785 000		
Gross profit c/d	1 125 000		
	1 910 000		1 910 000
Advertising	60 000	Gross profit b/d	1 125 000
Salaries and wages	230 000	Decrease in provision	500
Rent	65 000	Commission earned	150 000
Repairs	90 000		
Insurance (35 000–7 500)	27 500		
Interest on overdraft	5 000		
Depreciation:			
Delivery van	30 000		
Fixtures and fittings	10 800		
Net Profit c/d	757 200		
	1 275 500		**1 275 500**

1 (b)

M. Khumalo: Balance Sheet as at 31 December 2005

Fixed Assets	**At cost**	**Less depreciation**	**Net book value**			
	$	$	$		$	$
Premises	700 000	-	700 000	Capital		528 000
Fixtures & fittings	120 000	22 800	97 200	Add net profit		757 200
Delivery van	300 000	60 000	240 000			1 285 200
	420 000	97 800	1 037 200	Less drawings: (100 000 + 10 000)		110 000
						1 175 200
Current Assets				**Current Liabilities**		
Stock		185 000		Creditors	20 000	
Debtors (30 000 – 1 500)		28 500		Bank Overdraft	63 000	83 000
Prepayments – Insurance		7 500	221 000	(58 000 + 5 000)		
			1 258 200			**1 258 200**

Question 2 (a)

Ledger accounts questions are intended to test your mastery of the double entry system. This particular question is testing your knowledge on expenses and income, i.e. 2(a), and 2 (b) your understanding of personal accounts.

(i) Rent received account is income and had a prepayment in the previous period which must be reflected as a credit balance at the beginning of the new period.

(ii) Note that the closing transfer to profit and loss account is done through the debit side.

(iii) Rent received during the year is posted from the debit side of the cash or bank account to the credit side of rent received account.

(iv) Packing materials account is an expense and if it had a prepayment in the previous period it must be reflected as a debit balance at the beginning of the new period.

(v) Closing transfer to profit and loss account is done through the credit side.

(vi) If some more packing materials were bought whether on credit or by cash or bank, they should be debited to the packing materials account.

(b) (i) NB: A sales ledger is that section of the ledger where individual debtors' accounts are opened, hence D. Pasi is debtor.

2 (b)

(ii) If D. Pasi receives some more goods, his account should be debited but if he pays then his account should be credited.

(iii) Remember that trade discount should not be recorded; therefore if it is given it must be deducted from the invoiced figure.

(iv) The double entry for a dishonoured cheque is to debit the debtor so as to replace the debt once cancelled and credit the bank account so as to cancel the cheque once deposited.

2 (a) Rent Received Account

(i) 2006 January 1 Rent received in advance
(ii) March 25 Rent received from tenant in cash
(iii) $480 000
(iv) Current assets

Packing Materials Accounts

(i) Stock of packing materials/unused packing materials.
(ii) March 30: Packing materials bought on credit from Grand Supplies $240 000.
(iii) $430 000
(iv) Current assets

(b) **D. Pasi's Account**

	$		$
2006		2006	
March 1 Balance b/d	960 000	Mar 3 Cash	900 000
5 Sales	675 000	3 Discount allowed	60 000
31 Bank: Dishonoured cheque	600 000	7 Returns inwards	75 000
		20 Bank	600 000
		31 Balance c/d	600 000
	2 235 000		2 235 000
April 1 Balance b/d	600 000		

Question 3

(i) Do not waste time copying the whole sentence, only the missing word or words are required.
(ii) Numbering is very important and it should be done correctly.
(iii) Remember that rate of stock turn is equal to cost of sales over average stock, thus

$$\frac{\text{Cost of Sales}}{\text{Average Stock}}$$

(iv) If closing stock is undervalued, cost of sales will be overvalued and this decreases gross profit and automatically net profit will be undervalued or reduced.
(v) Debentures earn interest and shares whether ordinary or preference earn dividends. The preference shares earn a fixed rate of dividends.

Workings

Goodwill is equal to business purchase price minus net assets taken over.

		$
Fixed assets	=	600 000
Current assets	=	200 000
		800 000
Less: Current liabilities		300 000
Net assets taken over		500 000
Business Purchase price	=	900 000
Less: Net assets taken over	=	500 000
Therefore Goodwill	=	**400 000**

3 (a) (i) debit
(ii) Credit

(b) Average stock

(c) credit

(d) (i) capital
(ii) revenue

(e) undercast/undervalued/reduced/decreased

(f) (i) interest
(ii) dividend

(g) debit

(h) $400 000

(i) (i) direct materials (cost of raw materials consumed)
(ii) direct labour/wages or direct expenses

(j) (i) opening
(ii) Trading Account

(k) (i) straight line method/Fixed Instalment method
(ii) Reducing/diminishing balance method
(iii) Revaluation method

(l) (i) accruals/expenses owing/due
(ii) current liabilities

Question 4

(i) Remember the six errors which do not affect the balancing of the trial balance as these should not be corrected through the suspense account.

(ii) Errors which upset the trial balance should be corrected through the suspense account. Errors such as: -

- Incomplete double entry,
- Completion of double entry with different figures,
- Arithmetical/mathematical errors and
- Omission of a balance from the ledger to the trial balance, are the ones which affect the trial balance, therefore also affect the suspense account.

(iii) If after the extraction of a trial balance the totals disagree, the smaller side requires a suspense account to be opened with that difference, in this case a suspense account with a debit of $27 000 should be opened since debits are smaller than credit balances by $27 000.

(iv) If the errors have been corrected correctly through the journal then after posting to the suspense account, the suspense account should be closed.

4 (a) **Journal Entries**

		DR	CR
(i)	Fixtures	30 000	
	Purchases		30 000
(ii)	Purchases	10 000	
	Suspense		10 000
(iii)	Suspense	900	
	S. Moyo		900
(iv)	Suspense	5 100	
	Sundry expenses		5 100
(v)	D. Nkomo	24 000	
	Suspense		24 000
(vi)	Suspense	1 000	
	Discount allowed		500
	Discount received		500

(b) **Suspense Account**

	$		$
Trial balance difference	27 000	Purchases	10 000
S.Moyo	900	D. Nkomo	24 000
Sundry expenses	5 100		
Discount allowed	500		
Discount received	500		
	34 000		34 000

Question 5

Hints

Questions on working capital are very popular with examiners. Remember that working capital is equal to current assets minus current liabilities. It follows that if one side of the equation increases whilst the other remains constant then working capital is affected, e.g.

(i) If current assets increase and current liabilities remain constant then working capital will increase BUT if current liabilities increase and current assets remain constant then working capital will decrease

(ii) If both current assets and current liabilities increase with the same amount, then there will be no effect, the same applies if they both decrease with the same amount. To establish this, look at the following:-

	Current assets	–	Current liabilities	=	Working Capital
	$		$		$
	2 000		1 000		1 000
Increase	2 500		1 500		1 000
Decrease	1 500		500		1 000

(iii) When figuring out the effects of transactions on working capital treat the transactions given individually.

(iv) Capital is the owner's investment into a firm which is normally affected by the owner's drawings; additional investments and the items which affect the Gross Profit and Net Profit, e.g

- If the owner puts some additional capital, capital will increase.
- If the owner drew from the business in form of cash or goods, capital will decrease.
- If customers' accounts are written off as bad debts, capital will decrease, because Net Profit will have decreased

Now read through the transactions and establish the two accounts involved: establish whether each of the two can be classified as a current asset or a current liability.

- If it is a current asset or liability then work out the effect whether it is an increase or a decrease, e.g. (i) Paid $100 000 by cheque to trade creditors: creditors are a current liability, therefore liabilities are reduced by $100 000 and the Bank is also reduced by $100 000 which is a current asset, therefore there will be NO EFFECT on working capital.

5 (a)

Item Number	Effect on Capital	Effect on Working Capital
(i)	No effect	No effect
(ii)	No effect	Decrease
(iii)	Decrease	Decrease
(iv)	Increase/No effect	Increase/No effect
(v)	Decrease	Decrease
(vi)	Increase	No effect

(b) Assets = Capital + Liabilities
or Capital = Assets - Liabilities

Question 6

Hints

Questions on manufacturing accounts are very common in examination papers. Remember that the main objective of a manufacturing account is to establish the total cost of manufactured goods. This total cost of manufactured goods is made up of 3 components, i.e.

Cost of raw materials consumed + Direct Costs + Factory overheads

(i) Where expenses are to be shared between the factory and the office then the share for the factory is for the manufacturing account and the share for the office is for the profit and loss account.

(ii) In order to earn all the marks, your manufacturing account should show clearly the cost of raw materials consumed, prime cost and the section for the overhead expenses BUT as a continuous calculation to arrive at the total cost of manufactured goods.

6 **Tsovani's Manufacturing Account for the year ended 31 March 2007**

	$	$
Opening stock of raw materials		15 500
add: Purchases of raw materials	55 000	
less: Returns on raw materials	7 500	
	47 500	
add: Carriage on raw materials	9 600	
		57 100
		72 600
less: Closing stock of materials		17 700
***Cost of raw materials consumed**		**54 900**
Royalties		10 800
Patent fees		24 500
Manufacturing wages		36 000
***Prime Cost**		**126 200**
Factory Overheads		
Depreciation on plant machinery		6 100
Repairs on plant and machinery		13 200
Factory rent and rates		18 000
Factory power		16 900
Factory wages (10 000 + 6 800)		16 800
		197 200
add: opening stock of work-in-progress		18 100
		215 300
less: Closing stock of work-in-progress		20 800
***Total cost of production**		**194 500**

Question 7

Hints

This question is testing the candidates' knowledge on Partnerships. In this case two separate sole traders have decided to come together to form one business called a partnership. Take note of the following:-

- Some of their assets have been re-valued, i.e. Ndou's furniture and Dube's buildings.
- Ndou's debtors have been reduced by bad debts written off.
- Dube will not bring his motor vehicles into the partnership.
- Ndou to bring some additional \$150 000 cash as his capital.

It follows that the capitals they are to bring into the new business will be different from their original capitals before these changes.

STEPS TO BE TAKEN

(i) Calculate each partner's capital using the assets and liabilities taken into the new firm, taking new figures for those revalued.

(ii) Prepare the Partnership's Balance Sheet, showing clearly each partner's capital but as for the other assets and liabilities, they should be now combined, e.g. Creditors in the opening Balance Sheet will be (\$250 000 + \$400 000) = \$650 000.

7 (a) **Ndou: Statement of Affairs as at 1 May 2006**

	\$	\$
Fixed Assets/Non-current Assets		
Fixtures and fittings		400 000
Furniture		240 000
		640 000
Current Assets		
Stock	90 000	
Debtors	100 000	
Bank	140 000	
Cash	150 000	
		480 000
		1 120 000
Equity and Liabilities		
Capital		870 000
Current Liabilities		
Creditors		250 000
		1 120 000

OR

			\$
Assets:	Fixtures and Fittings		400 000
	Furniture		240 000
	Stock		90 000
	Debtors		100 000
	Bank		140 000
	Cash		150 000
			1 120 000
less:	Liabilities :	Creditors	250 000
Therefore	**Capital**		**870 000**

DUBE: Statement of Affairs as at 1 May 2006

	$	$
Non current Assets (Fixed Assets)		
Buildings		950 000
Current Assets		
Stock	150 000	
Debtors	80 000	
Bank	70 000	
		300 000
		1 250 000
Equity and Liabilities		
Capital		850 000
Current Liabilities – Creditors		400 000
		1 250 000

(b) **Balance Sheet as at 1 May 2006**

		$	$
Non – Current (Fixed Assets)			
Buildings			950 000
Fixtures and fittings			400 000
Furniture			240 000
			1 590 000
Current Assets			
Stock (90 000 + 150 000)	240 000		
Debtors (100 000 + 80 000)	180 000		
Bank (140 000 + 70 000)	210 000		
Cash	150 000		
			780 000
			2 370 000
Equity and Liabilities			
Capital : Ndou	870 000		
Dube	850 000		
			1 720 000
Current Liabilities			
Creditors (250 000 + 400 000)			650 000
			2 370 000

ZIMBABWE SCHOOL EXAMINATIONS COUNCIL

General Certificate of Education Ordinary Level

PRINCIPLES OF ACCOUNTS 7112/1

PAPER 1

JUNE 2009 SESSION 3 hours

Additional materials:
Answer paper
Multi-column accounting paper (8 sheets)

TIME 3 hours

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces provided on the answer paper.
Answer **all** questions in Section A and any **two** questions from Section B.
Write your answers on the separate answer paper provided.
Start each question on a separate page.
If an answer extends beyond one sheet, all the sheets for that question must be kept together.
All calculations must be shown adjacent to the answer.
Calculators must not be used.
If you use more than one sheet of paper, fasten the sheets together.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [ ] at the end of each question or part question.
Amounts used in this Question Paper are for calculation purposes only.

This question paper consists of 7 printed pages and 1 blank page.

Section A

Answer **all** questions in this section.

1 S. Kawondera runs a retail shop with two departments, the Furniture and Clothing. The following trial balance was extracted from his books on 31 December 2006:

Trial Balance as at 31 December 2006.

	Debit $	Credit $
Purchases: Furniture	80 000	
Clothing	132 000	
Sales: Furniture		350 000
Clothing		410 000
Stock at 1 January 2006: Furniture	15 600	
Clothing	33 100	
Carriage inwards on furniture	1 300	
Returns inwards : Clothing	3 000	
Discounts – allowed and received 1 850		700
Insurance	1 500	
Bad debts	420	
Carriage on sales	1 600	
Debtors and creditors	6 000	2 000
Bank		1 800
Fixtures and fittings, at cost	400 000	
Provision for depreciation on fixtures and fittings, 1 January 2006		50 000
Land and buildings	800 000	
Drawings	2 700	
Capital		662 270
	1 477 920	1 477 920

The following information is to be taken into account:

1. Stocks at 31 December 2006: Furniture $20 000.
   Clothing $35 000.

2. Bank charges amounting to $100 were not recorded in the books.

3. A provision for bad debts of 5% on debtors is to be created.

4. Insurance paid cover 15 months to 31 March 2007.

5. Fixtures and fittings are to be depreciated at 10% per annum using the diminishing balance method. There is no depreciation on land and buildings.

You are required to prepare:

(a) the departmental Trading Account, in columnar form, for the year ended 31 December 2006. [8]

(b) the **combined** Profit and Loss Account for the year ended 31 December 2006. [7]

(c) the Balance Sheet as at 31 December 2006. [12]

2 (a) The following balances appeared in the books of Shining Tower Club on 1 January 2007:

	$
Subscriptions owing	180 000
Subscriptions prepaid	45 000
Stock of stationery	35 000

During the year, the following transactions took place:

	$
Stationery bought for cash	95 000
Subscriptions received	848 000
Purchase of stationery on credit from Rusere Booksellers	122 000

On 31 December 2007, the following balances remained:

Stock of stationery	25 000
Subscriptions owing	65 000
Subscriptions prepaid	75 000

You are required to prepare the Stationery Account and the Subscriptions Account, showing clearly,in each account, the amount to be transferred to the Income and Expenditure Account. [11]

Pay special attention to dates and details.

(b) Give the information represented by each of the following balances after the preparation of final accounts.

(i) A debit balance in Motor Vehicles Account.

(ii) A credit balance in Salaries Account.

(iii) A debit balance in Subscriptions Account.

(iv) A credit balance in the Bank Account.

(v) A credit balance in Interest Received Account.

(vi) A debit balance in the Stationery Account. [6]

3 Yolanda and Nyanda are in partnership, sharing profits and losses in the ratio 3: 2.

Balance Sheet at 30 June 2004

		$		$
Capital:	Yolanda	30 000	Fixtures	23 300
	Nyanda	20 000	Stock	21 500
			Debtors	15 110
Trade creditors		11 290	Bank	1 380
		61 290		61 290

The partnership agrees to admit Ellen on 30 June 2004. Goodwill is valued at $10 000. Ellen is required to bring in capital equal to that of Nyanda **after** Nyanda has been credited with his share of Goodwill. Ellen brought in fixtures worth $10 000 and cash to make her capital equal to that of Nyanda.

Goodwill is to be maintained in the books.

You are required to:

(a) Show Journal entries for the admission of Ellen. [8]

(b) Prepare the opening Balance Sheet for the new business as at 1 July 2004. [6]

4 For each of the following transactions of J. Johns' business given below, name the **source document**, **subsidiary book**, the account to be **debited** and the account to be **credited**.

An example has been done for you.

Example: Purchased a delivery van on credit from T. Munda for $2 900 000.

Source Document	Subsidiary book	Account debited	Account credited
Invoice	*Journal Proper*	*Delivery Van*	*T. Munda*
(i)			
(ii)			
etc			

(i) J. Johns paid $50 000 for his rent using business petty cash.

(ii) Sold goods on credit to Khumalo for $800 000 less 10% trade discount.

(iii) Purchased a table and a chair for office use, on credit from Zim Furnishers for $1 500 000.

(iv) Khumalo returned damaged goods worth $100 000 net.

(v) Received a document from Zim Furnishers for an undercharge of $200 000.

(vi) Bought goods on credit from Rufaro Wholesalers for $1 400 000.

(vii) Received cash of $600 000 from Khumalo.

(viii) J. Johns allowed Khumalo a discount of $20 000.

[16]

SECTION B

Answer any **two** questions from this section

5 The following schedule of debtors appeared in the books of Cherly Florist on 31 December for three years.

2006	2007	2008
\$90 000	\$110 000	\$85 000

Cherly maintained a provision for bad debts of 5% of sundry debtors.

On 31 December 2008, Cherly created a provision for discounts allowable of 4% on debtors.

You are required to prepare:

(a) the Provision for Bad Debts Accounts for 2006, 2007 and 2008. [7]

(b) the Provision for Discounts Allowable Account on 31 December 2008. [3]

(c) the Balance Sheet extract as at 31 December 2008. [3]

6 Kubatana Limited has an authorised share capital of \$1 200 000, divided into 800 000 \$1 ordinary shares and 400 000 5% preference shares of \$1 each. The issued and fully paid share capital is made up of 600 000 ordinary shares of \$1 each and 400 000 5% preference shares of \$1 each.

The following information is available on 31 December 2006.

	\$
Profit and loss account balance, 1 January 2006	66 000
Net profit for the year ended 31 December 2006.	304 000
General Reserve	100 000
10% Debentures	210 000

On 31 December 2006, the directors proposed to:

(i) pay the preference share dividend.

(ii) pay an ordinary share dividend of 10 cents per share.

(iii) transfer \$40 000 to general reserve.

You are required to prepare:

(a) the Profit and Loss Appropriation Account for the year ended 31 December 2006. [6]

(b) the Balance Sheet extract showing the capital structure as at 31 December 2006. [7]

7 State the **word(s)** required to complete each of the sentences given below. Do **not** copy the whole sentence.

(a) Nominal accounts are those that refer to **(i)** ______________ and **(ii)** ______________.

(b) Accounts of debtors are found in the ______________ ledger.

(c) The ______________ is the source document for the petty cash book.

(d) If the payment for repairs to machinery is debited to machinery account, this is an error of ______________.

(e) The excess of expenditure over income for a club is known as a ______________.

(f) Errors that prevent the totals of a trial balance from agreeing are corrected through the ______________ account.

(g) Working capital is the excess of **(i)** current ______________ over **(ii)** ______________.

(h) Entries on the sale of a fixed asset are passed through the ______________ account.

(i) If closing stock is overvalued, net profit will be ______________.

(j) Subscriptions received in arrears appear as ______________ in the Balance Sheet.

(k) Cost of raw materials consumed added to direct expenses are called ______________ costs.

[13]

ZIMBABWE SCHOOL EXAMINATIONS COUNCIL

General Certificate of Education Ordinary Level

POSSIBLE ANSWERS

JUNE 2009

PRINCIPLES OF ACCOUNTS 7112/1

Question 1

Hints

This type of a question aims at testing your skills in the preparation of departmental accounts. Notice that the departmental trading accounts for furniture and clothing department should be prepared in columnar form. The main objective of departmental trading account is to ascertain the gross profit or loss for each department. Thereafter, a single or a combined profit and loss account is prepared to come up with the net profit or loss for the business as a whole.

NB: If departmental profit and loss accounts are prepared then one looses all the marks for that section according to this question.

Departmental Trading Accounts:

The following points should be noted: -

(i) Carriage inwards - \$1 300 should be added to the purchases figure of the furniture department, i.e. - \$80 000.

(ii) Returns inwards of \$3 000 should be deducted from the sales figure of the clothing department- \$410 000.

Combined Profit And Loss Account:

(i) Bank charges equal to \$100 should be debited in profit and loss account.

(ii) Provision for bad debts created will be

$\frac{5}{100} \times \frac{6000}{1} =$ **\$300.**

(iii) Insurance paid covers 15 months, therefore insurance for 12 months is equal to:

$\frac{1500}{15} \times 12 =$ **\$1 200**. Debit profit and loss account with this amount. \$300 is a pre-payment.

(iv) Depreciation on fixtures and fittings:

10% x (400 000 – 50 000) = **\$35 000**

(v) Note that carriage on sales \$1 600, is a selling expense.

Balance Sheet

(i) Only one balance sheet for the business is prepared.

(ii) Closing stock figures for furniture and clothing should be shown separately, i.e. they should be itemised:

Furniture	=	\$20 000
Clothing	=	\$35 000

1 (a) **S. Kawondera: Departmental Trading Account for the year ended 31 December 2006.**

	Furniture	Clothing	Furniture	Clothing
	$	$	$	$
Sales			350 000	410 000
Less: Returns inwards			-	3 000
			350 000	407 000
Less: Cost of goods sold				
Opening stock	15 600	33 100		
Add: Purchases	80 000	132 000		
Carriage inwards	1 300	-		
	96 900	165 100		
Less: Closing stock	20 000	35 000		
Cost of goods sold			76 900	130 100
Gross profit			**273 100**	**276 900**

(b) **S. Kawondera: Profit and Loss Account for the year ended 31 December 2006.**

	$	$
Gross Profits ($273 100 + $276 900)	550 000	
Add: Discount received	1 850	551 850
Less: Expenses		
Bank charges	100	
Discount allowed	700	
Insurance (1 500 – 300)	1 200	
Bad debts	420	
Depreciation: Fixtures and fittings	35 000	
Carriage on sales	1 600	
Provision for bad debts	300	
Total expenses		39 320
Net profit		**512 530**

(c) **S. Kawondera: Balance Sheet as at 31 December 2006**

Fixed Assets	Cost	Dep	NBV
	$	$	$
Fixtures and fittings	400 000	85 000	315 000
Land and buildings	800 000	-	800 000
	1 200 000	85 000	1 115 000
Current Assets			
Stocks: Furniture		20 000	
Clothing		35 000	
Debtors ($6 000 – 300)		5 700	
Insurance prepaid		300	
		61 000	
Less: Current Liabilities			
Bank overdraft (1 800 + 100)	1 900		
Creditors	2 000	3 900	
Working capital			57 100
			1 172 100

Financed by:		
Capital	662 270	
Add: Net profit	512 530	
	1 174 800	
Less Drawings	2 700	1 172 100

Question 2

Hints

(i) Stationery is an expense if used and an asset if it is still there, i.e. not used, therefore stationery used up during the year should be transferred to the Income and Expenditure account at the end of the financial year. Stock of stationery is then reflected as a debit balance in the stationery account and also shown as a current asset in the Balance Sheet.

(ii) Subscriptions are income to the club. Subscriptions owing from the previous year must be shown as an opening debit balance in the current year's subscriptions Account, BUT subscriptions prepaid in the previous year for the current year must be shown as an opening credit balance in the current year's subscriptions account.

(iii) There is need to make a closing transfer to the Income and Expenditure Account for the subscriptions to be received for the whole year.

(iv) Like all ledger accounts, pay special attention to dates and narratives as these carry marks.

(v) N.B. Remember that for Non Profit Making Organisations, expenses and incomes are transferred to the Income and Expenditure Account at year end NOT Profit and Loss Account.

2 (a) (i)

Stationery Account

		$			$
2007		$	2007		$
Jan 1	Balance b/d	35 000	Dec 31	Income & Expenditure Account	227 000
Dec 31	Cash	95 000		Balance c/d	25 000
	Rusere Booksellers	122 000			
		252 000			252 000
2008					
Jan 1	Balance b/d	25 000			

(ii) **Subscriptions Account**

2007		$	2007		$
Jan 1	Owing b/d	180 000	Jan 1	Prepaid b/d	45 000
Dec 31	Income and Expenditure	703 000	Dec 31	Bank/Cash	848 000
	Prepaid c/d	75 000		owing c/d	65 000
		958 000			958 000
2008			2008		
Jan 1	owing b/d	65 000	Jan 1	prepaid b/d	75 000

(b) (i) Motor vehicles at cost
(ii) Salaries not yet paid/due/outstanding
(iii) Subscriptions due/owing/outstanding
(iv) Bank overdraft
(v) Interest received in advance/interest receivable prepaid
(vi) Stock of stationery/unused stationery/prepaid stationery

Question 3

Hints

(i) Goodwill of $10 000 is introduced and is to be maintained in the business books as an asset.
(ii) Yolanda should get $^3/_5$ and Nyanda $^2/_5$ of $10 000, i.e. of goodwill; therefore Nyanda's capital will be $20 000 + ($^2/_5$ x $10 000) = **$24 000.**
(iii) Ellen to bring into the business as part of her capital contribution, an amount equal to that of Nyanda after Nyanda has been credited with his share of Goodwill.
(iv) Ellen's amount of capital is contributed as follows:

Fixtures worth	=	$10 000
Cash amounting to	=	$14 000
Total capital	=	**$24 000**

(v) Yolanda's capital becomes $30 000 + ($^3/_5$ of $10 000) = **$36 000.**
(vi) The opening balance sheet should now involve 3 partners: Yolanda, Nyanda and Ellen.
(vii) Journal entry for goodwill shows Yolanda and Nyanda sharing goodwill in the ratio of 3:2.

3 (a)

		Debit	Credit
		$	$
(i)	Goodwill	10 000	
	Capital: Yolanda $\frac{3}{5} \times 10\,000$		6 000
	Nyanda $\frac{2}{5} \times 10\,000$		4 000
(ii)	Fixtures	10 000	
	Bank	14 000	
	Capital: Ellen		24 000

(b) **Balance Sheet as at 1 July 2004**

		$		$
Capitals:	Yolanda	36 000	Goodwill	10 000
	Nyanda	24 000	Fixtures	33 300
	Ellen	24 000	Stock	21 500
			Debtors	15 110
Trade Creditors		11 290	Bank	15 380
		95 290		**95 290**

Question 4

Hints

(i) Do not copy the example, you will not earn marks from it, it's just a guide.
(ii) Remember that subsidiary books are not accounts, e.g. for a purchases journal, it should be purchases journal not just purchases.
(iii) Payment for John's rent out of petty cash is drawings.

(iv) Goods bought or sold on credit are accompanied by an invoice, therefore the source documents for purchases or sales will be purchases invoice and sales invoice respectively.

4

	Source Document	Subsidiary Book	Account Debited	Account Credited
(i)	Voucher	Petty Cash Book	Drawings	Petty Cash
(ii)	Invoice	Sales Journal	Khumalo	Sales
(iii)	Invoice	Journal proper	Furniture	Zim Furnishers
(iv)	Credit Note	Returns Inwards Journal	Returns Inwards	Khumalo
(v)	Debit Note	Journal Proper	Furniture	Zim Furnishers
(vi)	Invoice	Purchases Journal	Purchases	Rufaro Wholesalers
(vii)	Receipt	Cash Book	Cash	Khumalo
(viii)	Receipt	Cash Book	Discount allowed	Khumalo

Question 5

Hints

(i) The provision for bad debts account is for 3 years ending 31 December 2006, 2007, and 2008.

(ii) The provision for discounts allowed account is for 1 year ending 31 December 2008.

(iii) The provision for discounts allowed is provided on debtors after deducting the provisions for doubtful debts, i.e.

(iv) Debtors less Provisions for Doubtful debts = \$85 000 – ($^5/_{100}$ x \$85 000) = **\$80 750**
Therefore Provision s for discounts allowed will be $^4/_{100}$ x 80 750 = **\$3 230**

5 (a) **Provision for Bad Debts Account**

	\$		\$
2006		2006	
Dec 31 Balance c/d	4 500	Dec 31 Profit and Loss A/C	4 500
	4 500		4 500
2007		2007	
Dec 31 Balance c/d	5 500	Jan 1 Balance b/d	4 500
		Dec 31 Profit & Loss A/C	1 000
	5 500		**5 500**
2008		2008	
Dec 31 Profit & Loss A/C	1 250	Jan 1 Balance b/d	5 500
31 Balance c/d	4 250		
	5 500		5 500
		2009	
		Jan 1 Balance b/d	4 250

(b) **Provision for Discounts Allowable Account**

2008		2008		
Dec 31 Balance c/d	3 230	Dec 31 Profit & Loss A/C		3 230
		2009		
		Jan 1	Balance b/d	3 230

(c) **Balance Sheet extract as at 31 December 2008**

		$	$
Sundry Debtors		85 000	
Less:	Provision for bad debts	4 250	
	Net debtors	80 750	
Less	Provision for discounts allowable	3 230	77 520

Question 6

Hints and Workings

The O-Level syllabus requires students to develop knowledge and understanding of company accounts. Some elementary knowledge of the appropriation account and the balance sheet extract showing the capital structure.

(i) The preference issued share capital is $400 000 and 5% of this is the appropriate total dividend.
(ii) The ordinary share dividend is 10 cents per share of the paid-up ordinary share capital.
(iii) There is a balance of retained profit from the previous year of $66 000; this must be included in the appropriation account to determine the unapproptiated profits to be carried forward.
(iv) Total capital funds will include the shareholders funds and the long-term liabilities, i.e. ordinary and preference issued capital plus all the reserves plus the 10% debentures.
(v) General reserves are now ($100 000 + $40 000).

6 (a) **Profit and Loss Appropriation Account for the year ended 31 December 2006**

	$	$
Net profit for the year		304 000
Less: Appropriations:		
Transfer to General Reserve	40 000	
Final Dividends		
Preference	20 000	
Ordinary	60 000	120 000
		184 000
Add: Profit and Loss Account balance, 1 January 2006		66 000
Retained profit c/f		250 000

(b) **Balance Sheet extract on 31 December 2006**

	$
Authorised Share capital	
800 000 $1 Ordinary shares	800 000
400 000 5% Preference shares of $1 each	400 000
	1 200 000
Issued Share capital	
600 000 $1 Ordinary shares fully paid	600 000
400 000 5% Preference shares of $1 each fully paid	400 000
	1 000 000
Reserves	
General Reserve ($100 000 + $40 000)	140 000
Profit and Loss Account	250 000
Total shareholders funds	1 390 000
10% Debentures	210 000
Total Capital Funds	**1 600 000**

Question 7

Hints

(i) Do not copy the whole sentence as you will not get more marks for that.
(ii) Order of your answers is very important therefore number your answers accordingly.
(iii) Remember that subscriptions receivable in arrears represent debtors for subscriptions therefore they should be reflected as a current asset in the balance sheet.

7 (a) (i) Gains (ii) Expenses
(b) Sales/Debtors
(c) Voucher
(d) Principle
(e) Deficit/excess expenditure over income
(f) Suspense
(g) (i) Current assets (ii) Current liabilities
(h) Disposal
(i) Overstated/overvalued/more
(j) Current assets
(k) Prime costs

ZIMBABWE SCHOOL EXAMINATIONS COUNCIL

General Certificate of Education Ordinary Level

PRINCIPLES OF ACCOUNTS — 7112/1

PAPER 1

NOVEMBER 2009 SESSION — 3 hours

Additional materials:
Answer paper
Multi-column accounting paper (8 sheets)

TIME 3 hours

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces provided on the answer paper.
Answer **all** questions in Section A and any **two** questions from Section B.
Write your answers on the separate answer paper provided.
Start each question on a separate page.
If an answer extends beyond one sheet, all the sheets for that question must be kept together.
All calculations must be shown adjacent to the answer.
Calculators must not be used.
If you use more than one sheet of paper, fasten the sheets together.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [ ] at the end of each question or part question.
Amounts used in this Question Paper are for calculation purposes only.

This question paper consists of 8 printed pages.

SECTION A

Answer **all** questions in this section.

1 Shiri and Patai are trading as equal partners. Their partnership deed has the following:

(i) interest on capital is allowed at the rate of 10% per annum,

(ii) interest is charged on drawings at 5% per annum,

(iii) Shiri is entitled to an annual salary of $20 000.

The following information was extracted from the books of the partnership on 31 December 2005 after the preparation of the Trading Account.

		$
Capitals, 1 January 2005:	Shiri	60 000
	Patai	90 000
Current accounts, 1 January 2005:	Shiri	8 600 Dr
	Patai	3 600 Cr
Drawings:	Shiri	15 000
	Patai	18 000
Gross Profit for the year		238 610
Trade debtors		64 390
Salary paid to Shiri		16 000
Trade expenses		136 060
Motor van		120 000
Trade creditors		43 000
Cash at bank		5 760
Rent		12 000
Stock		39 400

Additional information on 31 December 2005

(i) Trade expenses owing $700.

(ii) Prepaid trade expenses $320.

(iii) Shiri introduced a personal computer valued at $30 000 on 1 October 2005. No entry had been made in the books in respect of this transaction.

(iv) Motor van is to be depreciated by 15% of the book value and the computer by 10%.

You are required to prepare:

(a) the partnership Profit and Loss and Appropriation Accounts for the year ended 31 December 2005, [10]

(b) the Balance Sheet as at 31 December 2005, showing the details of the partners' current accounts. [15]

2 **(a)** On 1 July 2005, R. Jones had the following balances in his nominal ledger:

Stationery	\$11 400 Dr
Salaries and wages	\$16 800 Cr

During the month of July the following transactions took place:

2005

July 3 Paid \$21 900 by cheque for stationery.

10 Paid wages in cash \$35 700.

12 Bought stationery on credit from Pax Booksellers for \$12 600.

15 Returned unsatisfactory envelopes to Pax Booksellers valued at \$3 200.

26 Paid salaries by cheque \$54 800.

On 31 July 2005 the stock of unused stationery was valued at \$8 500 and \$10 000 was owing for wages.

Jones' financial year ends on 31 July.

Prepare:

(i) the Stationery Account

(ii) the Salaries and Wages Account. [10]

Pay special attention to dates and detail.

(b) The following account appeared in the ledger of Batanai Handball club:

Subscriptions Received A/C

2004			2004		
Jan 1	Balance **(i)** b/d	20 000	Jan 1	Balance **(ii)** b/d	10 000
Dec 31	Income & Expenditure A/C **(v)**	850 000	Jun 30	Bank **(iii)**	580 000
31	Balance **(vi)** c/d	70 000	Sept 30	Cash **(iv)**	350 000
		940 000			940 000
			2005		
			Jan 1	Balance b/d	70 000

You are required to:

(i) give information represented by each of the entries numbered **(i)** to **(vi)** in the account, [6]

(ii) state exactly where in the Balance Sheet you would find the closing balance. [1]

3 **(a)** Distinguish between *capital expenditure* and *revenue expenditure*. [4]

(b) State which of the following are *capital expenditure* or *revenue expenditure* for a furniture making business:

(i) Purchase of a wood cutting machine for the workshop.

(ii) Purchase of replacement headlights for the delivery van.

(iii) Cost of repairing damaged workshop roof.

(iv) Wages paid to workers making furniture for resale.

(v) Cost of making a desk for the workshop.

(vi) Payment of municipal rates.

(vii) Cost of extending the furniture workshop.

(viii) Installation of an air conditioning system in the manager's office.

(ix) Payment of office salaries. [9]

4 F. Lunga extracted the following trial balance from her books on 31 December 2005:

	Debit	Credit
	$	$
Stock, 1 January 2005	250 000	
Capital		745 000
Drawings	300 000	
Trade debtors	395 000	
Trade creditors		368 400
Shop fixtures and fittings	253 000	
Purchases	614 000	
Sales		846 000
General expenses	106 000	
Discount received		24 000
Cash at bank	166 000	
Returns outwards		4 000
Commission earned		96 600
	2 084 000	1 084 000

The following errors and omissions were subsequently discovered:

(i) No record had been made for a delivery van worth $900 000 brought in by the owner on February 1.

(ii) A purchase of shop fittings $50 000 had been debited to Purchases Account.

(iii) Included in the general expenses is $60 000 used by Lunga to pay her private telephone bill.

(iv) A sales invoice of $40 000 entered in the sales day book had not been posted to the customer's personal account.

(v) The purchases day book was undercast by $70 000.

(vi) A credit note for $10 000 issued by Lunga to a customer had been completely omitted from the books.

(vii) A credit balance of $110 000 in the purchases ledger had been omitted from the trial balance.

You are required to:

(a) show the journal entries necessary to correct the above errors. **Narrations are not required.** [13]

(b) write a corrected Trial Balance as at 31 December 2005. [6]

[Turn over

SECTION B

Answer any **two** questions from this section.

5 M. Mambo operates a business as a retailer. The following information is found in her records at the end of the financial year ended 31 December 2005:

	$
Purchases	456 000
Sales	609 000
Opening stock	21 000
Closing stock	39 000
Sales returns	9 000
Purchases returns	3 000
Customs duty	15 000

You are required to calculate

(a) the turnover for the year.

(b) the cost of goods sold.

(c) the gross profit.

(d) the mark up.

(e) the margin.

(f) the rate of stock-turn.

[15]

6 On 1 January 2005, E. Mwase started a business with $500 000 in a business bank account. On the same day he brought into the business his personal furniture worth $100 000. Mwase does not maintain proper accounting records.

The following information is made available on 31 December 2005:

	$
Motor vehicles, at cost	200 000
Furniture, at cost	100 000
Stock	110 000
Debtors	90 000
Bank	70 000
Cash	35 000
Creditors	80 000
Prepaid expenses	9 500
Accrued expenses	5 000

Additional information.

(i) During the year, Mwase withdrew $50 000 cash and goods worth $15 000 from the business for personal use.

(ii) Fixed assets are to be depreciated as follows:

Motor vehicles 20% on cost,
Furniture 10% on cost.

(iii) Bad debts of $2 000 are to be written off, and a provision for doubtful debts of 2% of debtors is to be created.

You are required to prepare a Balance Sheet as at 31 December 2005, showing clearly the net profit or net loss for the year. [13]

(iv) General reserves increased by **<u>$40 000</u>**, i.e. $100 000 - $60 000.
(v) Final preference divided is equal to 10% x 500 000 = **<u>$50 000</u>**.
(vi) Debenture interest = 9% x $300 000 = **<u>$27 000</u>**.
(vii) Net trading profit of $327 000 should be adjusted by deducting the debenture interest, i.e. $327 000 - $27 000, since it is a profit and loss account item. N.B. Debenture interest should not be itemised in the Appropriation Account.

7 (a) **Kushinga Limited Profit and Loss Appropriation Account for the year ended 31 December 2005**

Net Profit b/f (327 000 – 27 000)		300 000
Add: Retained Income		45 000
less:		345 000
Transfer to General Reserve	40 000	
Interim Ordinary Dividend	35 000	
Final Ordinary Dividend	52 500	
Preference final dividend	50 000	
		177 500
Retained income c/f		167 500

(b) Balance Sheet extract as at 31 December 2005

Authorised Share Capital		
400 000 ordinary shares of $2 each		800 000
600 000 10% Preference shares of $1 each		600 000
		1 400 000
Issued Share Capital		
350 000 ordinary shares at $2 each fully paid		700 000
500 000 10% Preference shares at $ 1 each fully paid		500 000
		1 200 000
Reserves		
General Reserve	100 000	
Retained Income	167 500	
		267 500
Total shareholders' Funds		**1 467 500**

For Performance Measurement

ZIMBABWE SCHOOL EXAMINATIONS COUNCIL

General Certificate of Education Ordinary Level

PRINCIPLES OF ACCOUNTS 7112/1

PAPER 1

NOVEMBER 2009 SESSION 3 hours

Additional materials:
Answer paper
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TIME 3 hours

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(ii) interest is charged on drawings at 5% per annum,

(iii) Shiri is entitled to an annual salary of \$20 000.

The following information was extracted from the books of the partnership on 31 December 2005 after the preparation of the Trading Account.

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	Patai	90 000
Current accounts, 1 January 2005:	Shiri	8 600 Dr
	Patai	3 600 Cr
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	Patai	18 000
Gross Profit for the year		238 610
Trade debtors		64 390
Salary paid to Shiri		16 000
Trade expenses		136 060
Motor van		120 000
Trade creditors		43 000
Cash at bank		5 760
Rent		12 000
Stock		39 400

Additional information on 31 December 2005

(i) Trade expenses owing \$700.

(ii) Prepaid trade expenses \$320.

(iii) Shiri introduced a personal computer valued at \$30 000 on 1 October 2005. No entry had been made in the books in respect of this transaction.

(iv) Motor van is to be depreciated by 15% of the book value and the computer by 10%.

You are required to prepare:

(a) the partnership Profit and Loss and Appropriation Accounts for the year ended 31 December 2005, [10]

(b) the Balance Sheet as at 31 December 2005, showing the details of the partners' current accounts. [15]

2 (a) On 1 July 2005, R. Jones had the following balances in his nominal ledger:

Stationery	\$11 400 Dr
Salaries and wages	\$16 800 Cr

During the month of July the following transactions took place:

2005

July 3 Paid \$21 900 by cheque for stationery.

10 Paid wages in cash \$35 700.

12 Bought stationery on credit from Pax Booksellers for \$12 600.

15 Returned unsatisfactory envelopes to Pax Booksellers valued at \$3 200.

26 Paid salaries by cheque \$54 800.

On 31 July 2005 the stock of unused stationery was valued at \$8 500 and \$10 000 was owing for wages.

Jones' financial year ends on 31 July.

Prepare:

(i) the Stationery Account

(ii) the Salaries and Wages Account. [10]

Pay special attention to dates and detail.

(b) The following account appeared in the ledger of Batanai Handball club:

Subscriptions Received A/C

2004			2004		
Jan 1	Balance **(i)** b/d	20 000	Jan 1	Balance **(ii)** b/d	10 000
Dec 31	Income & Expenditure A/C **(v)**	850 000	Jun 30	Bank **(iii)**	580 000
31	Balance **(vi)** c/d	70 000	Sept 30	Cash **(iv)**	350 000
		940 000			940 000
			2005		
			Jan 1	Balance b/d	70 000

You are required to:

(i) give information represented by each of the entries numbered (i) to **(vi)** in the account, [6]

(ii) state exactly where in the Balance Sheet you would find the closing balance. [1]

3 **(a)** Distinguish between *capital expenditure* and *revenue expenditure*. [4]

(b) State which of the following are *capital expenditure* or *revenue expenditure* for a furniture making business:

(i) Purchase of a wood cutting machine for the workshop.

(ii) Purchase of replacement headlights for the delivery van.

(iii) Cost of repairing damaged workshop roof.

(iv) Wages paid to workers making furniture for resale.

(v) Cost of making a desk for the workshop.

(vi) Payment of municipal rates.

(vii) Cost of extending the furniture workshop.

(viii) Installation of an air conditioning system in the manager's office.

(ix) Payment of office salaries. [9]

4 F. Lunga extracted the following trial balance from her books on 31 December 2005:

	Debit	Credit
	$	$
Stock, 1 January 2005	250 000	
Capital		745 000
Drawings	300 000	
Trade debtors	395 000	
Trade creditors		368 400
Shop fixtures and fittings	253 000	
Purchases	614 000	
Sales		846 000
General expenses	106 000	
Discount received		24 000
Cash at bank	166 000	
Returns outwards		4 000
Commission earned		96 600
	2 084 000	1 084 000

The following errors and omissions were subsequently discovered:

(i) No record had been made for a delivery van worth $900 000 brought in by the owner on February 1.

(ii) A purchase of shop fittings $50 000 had been debited to Purchases Account.

(iii) Included in the general expenses is $60 000 used by Lunga to pay her private telephone bill.

(iv) A sales invoice of $40 000 entered in the sales day book had not been posted to the customer's personal account.

(v) The purchases day book was undercast by $70 000.

(vi) A credit note for $10 000 issued by Lunga to a customer had been completely omitted from the books.

(vii) A credit balance of $110 000 in the purchases ledger had been omitted from the trial balance.

You are required to:

(a) show the journal entries necessary to correct the above errors. **Narrations are not required.** [13]

(b) write a corrected Trial Balance as at 31 December 2005. [6]

[Turn over

SECTION B

Answer any **two** questions from this section.

5 M. Mambo operates a business as a retailer. The following information is found in her records at the end of the financial year ended 31 December 2005:

	$
Purchases	456 000
Sales	609 000
Opening stock	21 000
Closing stock	39 000
Sales returns	9 000
Purchases returns	3 000
Customs duty	15 000

You are required to calculate

(a) the turnover for the year,

(b) the cost of goods sold,

(c) the gross profit,

(d) the mark up,

(e) the margin,

(f) the rate of stock-turn.

[15]

6 On 1 January 2005, E. Mwase started a business with \$500 000 in a business bank account. On the same day he brought into the business his personal furniture worth \$100 000. Mwase does not maintain proper accounting records.

The following information is made available on 31 December 2005:

	\$
Motor vehicles, at cost	200 000
Furniture, at cost	100 000
Stock	110 000
Debtors	90 000
Bank	70 000
Cash	35 000
Creditors	80 000
Prepaid expenses	9 500
Accrued expenses	5 000

Additional information.

(i) During the year, Mwase withdrew \$50 000 cash and goods worth \$15 000 from the business for personal use.

(ii) Fixed assets are to be depreciated as follows:

Motor vehicles 20% on cost,
Furniture 10% on cost.

(iii) Bad debts of \$2 000 are to be written off, and a provision for doubtful debts of 2% of debtors is to be created.

You are required to prepare a Balance Sheet as at 31 December 2005, showing clearly the net profit or net loss for the year. [13]

7 The following information was taken from the books of Kushinga Limited.

	$
Authorised Share Capital	
400 000 Ordinary shares of $2 each	800 000
600 000, 10% Preference shares of $1 each	600 000
Issued Share Capital	
350 000 ordinary shares of $2 each	700 000
500 000, 10% Preference shares of $1 each	500 000
Reserves	
General reserve	60 000
Profit and Loss Account, 1 January 2005	45 000
3 000, 9% Debentures of $100 each	300 000

During 2005, an interim dividend of 10 cents per share was paid on Ordinary Shares.

The profit before allowing for debenture interest was $327 000.

On 31 December 2005 the directors recommend that

(i) the General Reserve be increased to $100 000,

(ii) a full year's dividend be paid on Preference Shares and a final dividend of 15 cents per share be paid on Ordinary Shares.

You are required to prepare:

(a) the Profit and Loss Appropriation Account for the year ended 31 December 2005, [6]

(b) the Balance Sheet extract showing the details and total of the shareholders equity. [7]

ZIMBABWE SCHOOL EXAMINATIONS COUNCIL
General Certificate of Education Ordinary Level

POSSIBLE ANSWERS

NOVEMBER 2009

PRINCIPLES OF ACCOUNTS 7112/1

Question 1

Hints

This is a typical question on partnership final accounts where the trading account was done for you since gross profit is given.

(i) $16 000 of the $20 000 annual salary for Shiri has been paid during the year and only the balance of $4 000 is credited to his current account.

(ii) The personal computer valued at $30 000 introduced by Shiri is additional capital. This increased his capital (60 000 + 30 000) to $90 000 from 1 October 2005.

- Calculation of his interest on capital will be:-

$$(10\% \times \$60\ 000 \times {}^{9}/_{12}) \quad + \quad (10\% \times \$90\ 000 \times {}^{3}/_{12})$$
$$= \quad 4\ 500 \quad + \quad 2\ 250$$
$$= \quad \underline{\mathbf{\$6\ 750}}$$

(iii) Interest on drawings is an addition to net trading profit, therefore should be credited to the appropriation account.

(iv) Depreciation on motor vans: ${}^{15}/_{100} \times \$120\ 000$ **= $18 000**

Depreciation on Office equipment: ${}^{10}/_{100} \times \$30\ 000$ **= $3 000**

(v) N.B. in order to get marks, remember to show the details of the partners' current accounts within the balance sheet; or they can be prepared outside the Balance Sheet BUT remember to transfer their balances to the balance sheet.

1 (a) **Shiri and Patai Partnership:**
Profit and Loss and Appropriation Account for the year ended 31 December 2005

		$	$
Gross Profit			238 610
Less: Operating expenses			
Trade expenses	136 060		
Add: Amount due	700		
	136 760		
Less: Amount prepaid	320	136 440	
Depreciation:			
On motor van		18 000	
On office Equipment		3 000	
Rent		12 000	169 440
Net Trading Profit			69 170
Add: Interest on Drawings			
Shiri		750	
Patai		900	1 650
			70 820
Less: Interest on capital			
Shiri		6 750	
Patai		9 000	
Partner's salary:			
Shiri		20 000	35 750
			35 070
Share of Net Profit			
Shiri		17 535	
Patai		17 535	**35 070**

(b) Shiri and Patai: Balance Sheet as at 31 December 2005

Capital Employed:	$	$	$
Shiri		90 000	
Patai		90 000	180 000
Current Accounts	Shiri	Patai	
Balances b/f	**8 600 DR**	**3 600 CR**	
Add: Share of Profit	17 535	17 535	
	8 935	21 135	
Add: Interest on capital	6 750	9 000	
Salary	4 000		
	19 685	30 135	
less: Drawings	15 000	18 000	
	4 685	12 135	
less: Interest on drawings	750	900	
	3 935 CR	11 235 CR	15 170
			195 170

Employment of Capital

Fixed Asset	at Cost less:	Depreciation	N.B.V.
Motor vans	120 000	18 000	102 000
Office Equipment	30 000	3 000	27 000
	150 000	21 000	129 000
Current Assets			
Stock		39 400	
Debtors		64 390	
Prepaid Expenses		320	
Bank		5 760	
		109 870	
Less: Current liabilities			
Creditors	43 000		
Amount owing	700		
		43 700	
Working Capital			66 170
			195 170

Question 2

Hints

This is a common question testing students their knowledge on double entry system. You must remember that whenever expense accounts are opened, the objective is to calculate the correct expense for the year to be charged in the profit and loss account/Income and expenditure Account.

(i) A debit balance at the beginning in the stationery account represents unused stationery carried forward from the previous year.

(ii) A credit balance at the beginning in the salaries and wages account represents the amount which remained unpaid in the previous year and is being carried forward and must be paid in the current year.

(iii) Envelopes returned to Pax Booksellers on 15 July are not returns outwards because stationery is an expense not the goods in trade for this firm.

(iv) N.B. At the end of the financial year there is stock of unused stationery worth $8 500 and wages owing for $10 000.

(v) Like in any ledger accounts, you must pay special attention to dates and details.

2 (a)

Stationery Account

2005			2005		
Jul 1	Balance b/d	11 400	Jul 15	Pax Boksellers	3 200
3	Bank	21 900	31	Profit & Loss	34 200
12	Pax Booksellers	12 600		Balance c/d	8 500
		45 900			**45 900**
Aug. 1	Balance b/d	8 500			

Salaries and wages Account

2005			2005		
Jul 10	Cash	35 700	Jul 1	Balance b/d	16 800
26	Bank	54 800	31	Profit & Loss	83 700
31	Balance c/d	10 000			
		100 500			**100 500**
			Aug 1	Balance b/d	10 000

(b) (i) Subscriptions in arrears/owing
(ii) Prepaid subscriptions for 2004
(iii) Cheques received for subscriptions
(iv) Cash received for subscriptions
(v) Subscriptions for 2004
(vi) Prepaid subscriptions for 2005

(c) Current liabilities

Question 3

Hints

Remember to give a definition NOT to give examples. On capital expenditure, it is not just the acquisition of assets but acquisition of **fixed** assets.

3(a) Capital expenditure is spending money acquiring fixed assets or adding value to existing fixed assets, whereas revenue expenditure is spending money on the day to day running expenses of the business.

3(b) (i) Capital expenditure
(ii) Revenue expenditure
(iii) Revenue expenditure
(iv) Revenue expenditure
(v) Capital expenditure
(vi) Revenue expenditure
(vii) Capital expenditure
(viii) Capital expenditure
(ix) Revenue expenditure

Question 4

Hints

This is a common question on errors and the Trial Balance When correcting the error take note of those which upset the trial balance as the correction should pass via the suspense account and for those six which do not upset the trial balance You have to figure out the two accounts involved for each journal entry. Remember that for each journal entry, the debit and the credit entry should have the same amount unless if it is a one legged journal entry

4 (a)

		Debit	Credit
		$	$
(i)	Delivery van	900 000	
	Capital		900 000
(ii)	Shop fittings	50 000	
	Purchases		50 000
(iii)	Drawings	60 000	
	General expenses		60 000
(iv)	Debtors	40 000	
	Suspense		40 000
(v)	Purchases	70 000	
	Suspense		70 000
(vi)	Returns Inwards/Sales returns	10 000	
	Debtors		10 000
(vii)	Suspense	110 000	
	Creditors		

(b) **Trial Balance as at 31 December 2005.**

	$	$
Stock	250 000	
Capital (745 000 + 900 000)		1 645 000
Drawings (300 000 + 60 000)	360 000	
Trade debtors (395 000 + 40 000 − 10 000)	425 000	
Trade creditors (368 400 + 110 000)		478 400
Sales		846 000
Shop fixtures & fittings (253 000 + 50 000)	303 000	
Purchases (614 000 − 50 000 + 70 000)	634 000	
General expenses (106 000 − 60 000)	46 000	
Discount received		24 000
Cash at bank	166 000	
Returns outwards		4 000
Commission earned		96 600
Delivery van	900 000	
Returns inwards	10 000	
	3 094 000	**3 094 000**

Question 5

Hints

This question is testing the student's knowledge and application of the accounting ratios. If you decide to work out a Trading Account to answer 5 (a), (b), and (c) then make sure that you indicate within the account your answers to the above part questions, or you can list down your answers picking them from the trading account

(i) Workings are very important since they earn their own marks.
(ii) Numbering is very important in order to earn all the marks.
(iii) Remember that if there is a gross profit, the ratio for the mark-up is always greater than that of the margin.
(iv) NB. Rate of stock turn must be written as a **number of times**

5 (a) Turnover = 609 000 – 9 000
= \$600 000

(b) Cost of goods sold
= (21 000 + 456 000 + 15 000 – 3 000 – 39 000)
= \$450 000

(c) Gross Profit = 600 000 – 450 000
= \$150 000

(d) Mark-up $= \dfrac{150\,000}{450\,000} \times 100$

$= 33\frac{1}{3}\%$

(e) Margin $= \dfrac{150\,000}{600\,000} \times 100$

$= 25\%$

(f) Rate of stock-turn $= \dfrac{\text{C.O.S}}{\text{AV stock}}$

$= \dfrac{450\,000}{(39\,000 + 21\,000) \div 2}$

$= \dfrac{450\,000}{30\,000}$

= 15 times

Question 6

Hints

This is a question on single entry where you are required to calculate net profit or loss within the balance sheet.

(i) Opening capital is made up of cash at the bank, i.e. \$500 000 plus personal furniture brought in worth \$100 000, i.e. (\$500 000 + \$100 000).

(ii) To calculate closing capital, compare the asset and liabilities at the end, i.e. on 31 December 2005.

(iii) Drawings are equal to (\$40 000 + \$15 000 worth of goods).

6 **E. Mwase: Balance Sheet as at 31 December 2005**

		at Cost	less: Depr	N.B.V
Fixed Assets		\$	\$	\$
Motor vehicles		200 000	40 000	160 000
Furniture		100 000	10 000	90 000
		300 000	50 000	250 000
Current Assets				
Stock			110 000	
Debtors	90 000			
	− 2 000			
	− 1 760		86 240	
Prepayments			9 500	
Bank			70 000	
Cash			35 000	
			310 740	
less: Current liabilities				
Creditors		80 000		
Accruals		5 000	85 000	225 740
				475 740
Financed by:				
Capital (500 000 + 100 000)				600 000
less: Net loss				59 260
				540 940
less: Drawings (50 000 + 15 000)				65 000
				475 740

Question 7

Hints and Workings

This question requires students to display their knowledge in company accounts focusing on the appropriation account and the company's capital structure, and in this question calculating the shareholders' equity. Students must remember that the shareholder's equity is made up of the total ordinary and preference share capital issued plus the reserves.

(i) Profit and loss account, 1 January 2005 represents profits retained in 2004 to 2005.

(ii) Interim ordinary dividend is equal to $\frac{10c \times 350\,000}{100c}$ shares = **\$35 000**.

(iii) Final ordinary dividend is equal to $\frac{15c \times 350\,000}{100c}$ shares = **\$52 500**.

(iv) General reserves increased by **$40 000**, i.e. $100 000 - $60 000.
(v) Final preference divided is equal to 10% x 500 000 = **$50 000**.
(vi) Debenture interest = 9% x $300 000 = **$27 000**.
(vii) Net trading profit of $327 000 should be adjusted by deducting the debenture interest, i.e. $327 000 - $27 000, since it is a profit and loss account item. N.B. Debenture interest should not be itemised in the Appropriation Account.

7 (a) **Kushinga Limited Profit and Loss Appropriation Account for the year ended 31 December 2005**

Net Profit b/f (327 000 – 27 000)		300 000
Add: Retained Income		45 000
less:		345 000
Transfer to General Reserve	40 000	
Interim Ordinary Dividend	35 000	
Final Ordinary Dividend	52 500	
Preference final dividend	50 000	
		177 500
Retained income c/f		167 500

(b) Balance Sheet extract as at 31 December 2005

Authorised Share Capital		
400 000 ordinary shares of $2 each		800 000
600 000 10% Preference shares of $1 each		600 000
		1 400 000
Issued Share Capital		
350 000 ordinary shares at $2 each fully paid		700 000
500 000 10% Preference shares at $ 1 each fully paid		500 000
		1 200 000
Reserves		
General Reserve	100 000	
Retained Income	167 500	
		267 500
Total shareholders' Funds		**1 467 500**