

Payment by Bills Payable K 25,000

Payment in cash K 5,000

Discount received K 2,500

Purchase returns K 5,000

Closing balance of sundry creditors K 47,500 (6 Marks)

c) Mr. Fredrick keeps his books on single entry basis. Prepare a statement of affairs as on 31.10.1981 and a statement of profit (or) loss for the period ending 31.10.1982.

Assets & Liabilities	1.11.81 (K)	31.10.82 (K)
Bank Balance	560(Cr)	350(Dr)
Cash on hand	10	50
Debtors	4,500	3,600
Stock	2,700	2,900
Plant	4,000	4,000
Furniture	1,000	1,000

Mr. Fredrick had withdrawn K 2,000 during the year and had introduced fresh capital of K 4,200 on 01.07.1982. A provision of 5% on debtors is necessary. Write off Depreciation on plant at 10% and furniture at 15%. Interest on capital is to be allowed at 5%. (12 Marks)

4. a) What is meant by Direct expenses? (2 Marks)

b) Distinguish between Department and Branch. (6 Marks)

c) From the following information, prepare departmental trading and profit & loss A/c in a columnar form of the three departments of Lusaka dry cleaners Ltd.

	Dry Cleaning (K.)	Darning (K.)	Dyeing (K.)
Stock 1 st Jan. 1996	400,000	340,000	940,000
Stock 31 st Dec. 1996	330,000	438,000	817,000
Purchases	1,959,000	697,000	1,373,000
Sales	4,000,000	2,000,000	4,000,000
Wages	728,000	300,000	246,000

Goods were transferred from one department to another at cost price as follows:

i.) Darning to dry cleaning K 2,400 and to dyeing K40,200

- ii.) Dyeing to dry cleaning K25,800 and to darning K18,000
- iii.) Dry cleaning to darling K3,000 and to dyeing K24,000

Apportion equality:

- Stationery K 5,418
- Postage K 4,050
- General expenses K 237,618
- Insurance K 10,080
- Depreciation K 32,598

Rent & Taxes K 180,000 is to be split in proportion to space occupied i.e., dry cleaning 4, darning 2, dyeing 2 and other space 2. (12 Marks)

5. a) Give meaning for 'Hire purchase system'. (2 Marks)

b) On 1-1-1986, X purchased machinery on hire purchase system. The payment is to be made K 4,000 down (on signing of the contract) and K 4,000 annually for three years. The cash price of the machinery is K 14,900 and the rate of interest is 5%. Calculate the interest in each year's installment. (6 Marks)

c) Distinguish between Hire purchase system and Installment purchase System. (12 Marks)

6. a) What is meant by Royalty? (2 Marks)

b) Kalonga sold to Fredrick 4,000 10% Loan of K.100 each at K.92 ex-interest on 1st February 1994. Interest is payable by the company on 31st October and 30th April each year. Pass journal entries in the books of both the parties. (6 Marks)

c) A company leased a colliery on 1-1-92 at a minimum rent of K 20,000 merging into a royalty of K 1.50 per tonne with power to recoup short workings over the first 4 years of lease. The output of the colliery for the first four years was 9,000 tonnes, 12,000 tonnes, 16,000 tonnes and 20,000 tonnes respectively. Give the journal for 4 years in the books of lessee. (12 Marks)

7. a) A company purchased a plant for K 50,000. The useful life of the plant is 10 years and the residual value is K 10,000. Find out the amount of depreciation under the straight-line method (2 Marks)

b) Briefly explain Causes of Depreciation. (6 Marks)

c) XY Co. Ltd. purchased a lease of K 50,000 on 1-1-1990 to be replaced at the end of 5 years. For this purpose, one insurance policy is taken out for which the annual premium is K 9,400. At the end of the period the lease is renewed for K 45,000. Show the various ledger accounts in the books of the company. (12 Marks)