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**THE UNITED REPUBLIC OF TANZANIA
NATIONAL EXAMINATIONS COUNCIL
ADVANCED CERTIFICATE OF SECONDARY EDUCATION
EXAMINATION**

153/1**ACCOUNTANCY 1**

(For Both School and Private Candidates)

Time: 3 Hours**Thursday, 09th February 2012 p.m.****Instructions**

1. This paper consists of seven (7) questions in sections A and B.
2. Answer **three (3)** questions from section A and **two (2)** questions from section B.
3. Each question carries **twenty (20)** marks.
4. Workings must be shown clearly and submitted.
5. Non programmable calculators may be used.
6. Cellular phones are **not** allowed in the examination room.
7. Write your **Examination Number** on every page of your answer booklet(s).

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SECTION A (60 marks)
Answer three (3) questions from this section.

1. Briefly explain the following accounting terms.

- (a) Bank Giro Credit
- (b) Gearing ratio
- (c) Accounting Cycle
- (d) Depletion
- (e) Errors of Principle

✓ The following Trial Balance was extracted from the books of Maisha Mafupi, a trader as at 31st December, 1994.

	Dr	Cr
	Sh	Sh
Capital.....		380,000
Freehold Land and Buildings.....	237,000	
Furniture and Fittings.....	15,000	
Purchases and Sales.....	742,900	928,400
Debtors and Creditors.....	94,280	69,470
✓ Rates.....	8,000	
✓ Insurance.....	2,250	
✓ General expenses.....	32,940	
Wages and salaries.....	84,670	
Drawings.....	39,400	
✓ Provision for doubtful debts on 1.1.1994.....		2,250
✓ Discount allowed and received.....	12,000	9,500
✓ Bad debts.....	5,720	
Stock in trade 1.1.1994.....	98,000	
Balance at Bank.....	17,460	
	1,389,620	1,389,620

Additional information:

- (a) Stock in trade on 31st December, 1994 was sh. 104,500.
- ✓ (b) At 31st December, 1994, insurance prepaid amounted to sh. 550 and rates paid in advance sh. 1,500.
- ✓ (c) Wages and salaries outstanding at 31st December, 1994 was sh. 3,200.
- ✓ (d) Provision for doubtful debts is to be increased to sh. 2,900.
- (e) On 1st January, 1994 Maisha Mafupi sold his private car for sh. 15,000 and used sh. 10,000 of that amount to buy a delivery van for use in the business. On the same date he took from the business goods costing sh. 1,500 for his own use. No entries have been made in the books of the firm recording these transactions.
- ✓ (f) Provide sh. 1,500 for depreciation of furniture and fittings and allow for depreciation on the delivery van at the rate of 20% per annum on cost.

From the above information, you are required to prepare the Income Statement and the Balance Sheet as at 31st December, 1994.

3 On July 1st 2000, Namaru Investment Ltd held sh. 200,000 6% Debenture of Steel Master Ltd which appeared in the books at sh. 193,000. Interest is payable on 31st July and 31st January. October 1st 2000, further 100,000 debentures in Steel Master Ltd were bought at 98 cum interest and on January 1st 2001, further 60,000 debentures were bought at 97 ex-interests. On 31st March 2001, 160,000 debentures were sold at 101 cum interest and on 1st June, 2001, 120,000 debentures were sold at 102 ex-interests.

You are required to prepare the Investment Account for the period ending on June, 2001 (Assume the Company use FIFO method).

4 The following is a summary of the Cash Book of Tendawema Social Club.

Receipt	Amount	Payment	Amount
Balance at Bank 1.4.2008	237,000	Staff wages	669,000
Members subscriptions —	1,786,000	Bar supplies	2,520,000
Entrance fees	160,000	Rent for 1½ years to 30 th June, 2008	390,000
Bar takings	2,840,000	2008	110,000
Competition receipts	382,000	Rates	156,000
Loan from Treasurer	4,000	Secretary's salary	385,000
		Heating, lighting and cleaning	185,000
		Competition Prizes	300,000
		Printing and Postage	400,000
		Deposited with Building Society	294,000
		Balance at Bank 31.03.2009.	5,409,000
	5,409,000		

Additional information:

- (a) The assets of the Club on 1st April, 2008, were furniture and equipment sh. 2,400,000, Bar stock sh. 130,000 and prizes in hand sh. 40,000; sh. 260,000 owed for bar supplies.
- (b) On 31st March, 2009, the bar stock were sh. 150,000, prizes sh. 25,000 and sh. 280,000 owed for bar supplies.
- (c) It appeared from the register of members that subscriptions unpaid at 31st March, 2009 amount to sh. 50,000.
- (d) Subscriptions received during the year under review included sh. 35,000 in respect of the previous year and sh. 20,000 in respect of the year beginning 1st April, 2009.
- (e) The secretary is to be allowed sh. 25,000 per annum for the use of his own motor car in connection with the Club affairs.
- (f) Interest on the Building Society Deposit for the year to 31st March, 2009 was received on 1st April, 2009 amounting to sh. 12,000.
- (g) It was agreed that the steward of the Club should receive a bonus of 5% of bar taking in excess of an average of sh. 200,000 per month for the year to 31st March, 2009.
- (h) Write off depreciation on furniture and equipment at the rate of 10% per annum.

From the above information, you are required to prepare Bar Trading account as well as Income and Expenditure account for the year ended 31st March, 2009.

SECTION B (40 marks)

Answer two (2) questions from this section.

- ✓ (a) Machinga Ltd, whose head office is at Changarawe, operates a branch at Uyole. All goods are purchased by the head office and invoiced to and sold by the branch at cost plus 33% per cent. Other than sales ledger kept at Uyole, all transactions are recorded in the books at Changarawe. The following particulars are given of the transactions at the branch during the year ended 28th February, 2007.

	Sh.
Stock on hand, 1 st March, 2006, at invoice price.....	44,000
— Debtor on 1 st March, 2006.....	39,460
Stock on hand, 28 th February, 2007, at invoice price.....	39,480
Goods sent from Changarawe during the year at invoice price.....	248,000
— Credit sales.....	210,000
Cash sales.....	24,000
Returns to head office at invoice price.....	10,000
Invoice value of goods stolen.....	6,000
— Bad debts written off.....	1,480
Cash from debtors.....	224,000
Normal loss at invoice price due to wastage.....	1,000
— Cash discount allowed to debtors.....	4,280

Using the details above, prepare the Branch Stock Account and Branch Total Debtors Account for the year ended 28th February, 2007 as they would appear in the head office books.

- (b) Chihako Company uses accrual basis of accounting. The Company owns real estate that it rents to various lessees. Rent collected in cash during year five amounted to sh. 543,000. The amounts of rent receivable and unearned rent revenue on two successive balance sheet dates were as follows:

	Dec. 31 st Year 4	Dec. 31 st Year 5
Rent Receivable.....sh.	18,000	sh. 24,500
Unearned rent revenue.....sh.	22,000 ✓ <i>cal 9/2</i>	sh. 8,200

The Company advertises its goods through TBC, Radio One and Daily Newspapers, some of the advertising cost are paid in advance and some is paid on receipt of invoices. Advertising expenses on the accrual basis of accounting for year five was sh. 321,000. The amounts of prepaid and accrued advertising expenses at the beginning and at the end of year 5 were as follows:

	Dec. 31 st Year 4	Dec. 31 st Year 5
Prepaid advertising	sh. 26,800	sh. 32,000
Accrued advertising	sh. 39,222 <i>1/2</i>	sh. 14,500

You are required to compute the amount of:

- Rent revenue that should appear in the profit and loss account for the year five.
- Cash paid for advertising during year five.

5. (a) Green Rental Car Hire completed its first year of operations on December 31st, 2001. Because this is the end of the annual accounting period, the company book keeper prepared the following provisional income statement.

Green Rental Income Statement	Sh.	Sh.
Car hire revenue.....		1,020,000
Less: Expenses		
Salaries and Wages.....	264,000	
Maintenance and repair.....	100,000	
Office Rent.....	80,000	
Water and Electricity.....	30,000	
Petrol, Diesel and Oil.....	20,000	
Miscellaneous expenses.....	4,000	<u>498,000</u>
Profit		<u>522,000</u>

Additional information:

- Wages for the last three day of Dec. amounting to sh. 6,000 were not recorded
- The telephone bill for Dec, 2001, amounted to sh. 2,000 has not been recorded.
- Depreciation on vehicles, amounting to sh. 200,000 for 2001, was not recorded.
- Interest sh. 200,000 one year 12% on loan from CRDB Ltd was not recorded.
- Car hire revenue includes sh. 20,000 of car hire revenue for the month of January 2002.
- Maintenance and repairs expenses include sh. 10,000 which is the cost of replacement parts still in store at December 31st, 2001. These will be used the following year.

From the above information you are required to prepare:

- (i) Journal entries for the adjustment.
- (ii) Income Statement after adjustment.

- (b) Pass necessary journal entries for adjustment and closing entries for the following adjustments as at 31st March, 2011 and narrate for the transactions.
- (i) Stock on 31st March, 2011 was sh. 350,000
 - (ii) Salaries at the rate of sh. 200,000 per month were paid for 11 months only.
 - (iii) Insurance paid sh. 40,000 (including premium of sh. 30,000 per annum up to 30th June, 2011).
 - (iv) Apprenticeship premium received on 31st October, 2010 sh. 90,000 was for three years.

Bal ^{b/d} 350,000	Bank 178,600
Bal ^{b/d} 200,000	Bal ^{b/d} 50,000

- 7) (a) A business started on 1st January, 2007 and its financial year end is 31st December. A table of debtors, the bad debts written off and the estimated doubtful debts at the rate of 2% of debtors at the end of each year has shown below.

Year to 31 December	Debtors at end of year (after bad debts written off)	Bad debts written off during the year.	Debts thought at end of year to be impossible to collect 2% of debtors.
2007	60,000	4,230	?
2008	70,000	5,100	?
2009	77,500	6,040	?
2010	65,000	6,100	?

1200
1400
1550
1300

From the above information, you are required to:

- Ascertain the amount for estimated doubtful debts at the end of each year.
- Prepare provision for doubtful debts account and bad debts account for the year ended 31st December, 2010.

- (b) Mwacheni Mwenyewe extracted a trial balance as at 31st December, 2010. He was unable to balance it, but as urgently needed his accounts for tax purposes; he opened a suspense account and entered sh. 7,050 debit balance in it.

In the next year he found the following errors listed:

- ✓ The sales returns day book had been under cast by sh. 1,000.
- ✓ Drawings of sh. 800 had been debited to wages account.
- ✓ A payment of bank charges sh. 2,700 had not been posted to the expense account.
- ✓ A sale of goods sh. 3,850 to Utalijua Jiji on 30th December, 2010 had not been entered at all.
- ✓ Carriage inward sh. 750 had been debited to carriage outwards.
- A rent rebate of sh. 2,000 had been entered in the cash book but not posted elsewhere.
- The purchases day book had carried forward a figure of sh. 247,980 when it should have been sh. 248,970.
- Discount allowed of sh. 2,180 had been credited to the discount allowed account.

From the above information, you are required to prepare:

- The journal entries needed to correct the errors.
- The suspense account balanced off.

Suspense	
Bal 7/3 7050	Expenses 27000
Sales 1000	Purchases 990
	Discount All 4360
	R/c
8050	8050