

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

153/2

ACCOUNTANCY 2
(For Both School and Private Candidates)

Time: 3 Hours

Friday, 06th May 2016 a.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) General reserve
- (b) Hire purchase price
- (c) Secret reserve
- (d) Reserve capital
- (e) Capital Reserve.

2. Chingwande Company Ltd sells its goods in cases. These cases are purchased by the company at sh. 6 per case, but each case is written down to a standard book value (SBV) of sh. 5 per case immediately it is purchased. For stocktaking purposes, all cases are valued at sh. 5 per case irrespective of whether they are still in stock or in the hands of the customers. Cases are charged out to customers at sh. 10 per case, but the customer is credited with sh. 8 per case if the case is returned in good condition within three months of receipt.

The following information relates to the year ending 31st March, 2013:

- (a) 1,000 cases in warehouse at 1st April, 2012
3,000 cases were in hands of customers at 1st April, 2012.
- (b) During the year, 2,000 cases were purchased.
- (c) 25,000 cases were issued to customers.
- (d) 23,000 cases were returned by customers within the time limit.
- (e) 1,500 cases were not returned within the time and were duly paid for by the customers.
Cases still in the hands of customers at 31st March, 2013 had all been invoiced since 1st January, 2013.
- (f) 100 cases kept in warehouse by Chingwande Company Ltd had been damaged and were beyond repair.
- (g) Sh. 1,400 had been spent on repairing some slightly damaged cases.
- (h) 50 other damaged cases had been sold for sh. 2 per case.

From the information given above, write up the following accounts in the books of Chingwande Company Ltd for the year ending 31st March, 2013;

- (i) Cases stock account at standard book value;
- (ii) Cases suspense account at return price;
- (iii) Cases income statement.

3. Donbosco Ltd sold three machines costing sh. 10,000 to Pachoto on hire purchase system on 1st January, 2011. Pachoto paid sh. 6,000 on the above date to receive delivery of the machines and agreed to pay five half-yearly instalments of sh. 6,000 each.

Pachoto could not pay the third instalment in time whereupon Donbosco Ltd repossessed one machine and Pachoto retained the other two machines. The value of returned machine was agreed to be cash price less 40%. The purchaser charges depreciation at 10% per annum on reducing balance method.

Donbosco Ltd sold the repossessed machine for sh. 4,500 on 31st December, 2012 after incurring repairs of sh. 200.

Using the information given show;

- Donbosco Ltd and Machinery accounts in the books of hire-purchaser, and
- Pachoto's and Goods repossessed accounts in the books of Donbosco Ltd.

4. Chikambo and Ulavi are partners sharing profits in the ratio of 3:2 respectively. Their Statements of Financial Position stood as under on 31st March, 2013.

Statement of Financial Position on 31 st March, 2013			
		Sh.	Sh.
Financed by:			
Capital Accounts:	Chikambo	290,000	
	Ulavi	<u>150,000</u>	440,000
Current Liabilities:	Outstanding liabilities	40,000	
	Creditors	<u>385,000</u>	<u>425,000</u>
			<u>865,000</u>
Non-Current Assets:	Machinery	190,000	
	Buildings	350,000	
	Furniture	<u>50,000</u>	590,000
Current Assets:	Cash	20,000	
	Stock	150,000	
	Prepaid insurance	15,000	
	Debtors	94,000	
	Less: Provision	<u>4,000</u>	
		<u>90,000</u>	<u>275,000</u>
			<u>865,000</u>

They agreed to admit Chihuku as a new partner introducing a capital of sh. 160,000. The new profit sharing is decided as 5:3:2. At that date assets were revalued as follows:

- Stock to depreciate at 5%.
- Provision for doubtful debts is to be sh. 5,000.
- Furniture to depreciated at 10% and building is valued at sh. 400,000

From the information given above, pass journal entries and prepare Revaluation Account as well as Statement of Financial Position on that date.

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SECTION B (40 Marks)Answer **two (2)** questions from this section.

5. Pangu Pakavu Company Ltd issued a prospectus offering 200,000 equity shares of sh. 10 each on the following terms:

On application	sh. 1.00 per share
On allotment (including premium sh. 2.00)	sh. 3.00 per share
On first call (three months after first call)	sh. 4.00 per share
On second call (three months after allotment)	sh. 4.00 per share

Subscriptions were received for sh. 317,000 shares on 23rd April, and allotment made on 30th April, was as under.

	Shares allotted
(i) Allotments in full (two applicants paid in full on allotment in respect of 4,000 shares each)	38,000
(ii) Allotments of 2/3 of shares applied for	160,000
(iii) Allotments of 1/4 of shares applied for	2,000

Cash amounting to sh. 31,000 (being application money received with application for 31,000 shares upon which no allotment was made) was returned to applicants forthwith. The amounts due were received on due dates except with the final call on 100 shares. These shares were forfeited on 15th November and reissued to Othman on the 16th on payment of sh. 9 per share.

Assume that interest on calls in advance was paid by the company on 30th October in cash; write up the necessary journal entries and show how the transactions would appear in the Company's Statement of Financial Position.

6. A mining Company used a property from Charambe Veteran Ltd at a royalty of sh. 5 per tonne with a minimum rent of sh. 15,000 annually. The right to recoup short workings was out of the surplus royalties of the next three years. The results of the workings are as follows:

Year	Tonnes (output)
2008	1,000
2009	1,500
2010	2,000
2011	2,800
2012	3,000

From the given information above, show the journal entries to record the transactions, irrecoverable short workings written off and the closing entries of the royalty's payable account.

7. Sinza Enterprises Ltd operates the business to repair Radio and Television. The enterprises has four workers; Daniel, Immaculate, Fayez and Gabriel. They have 6 hours working daily for 24 days in a month. A worker who works in excess of this guarantee hours will be compensated at twice the rate. The enterprise has the guarantee pay for 144 hours for month. During the month ending 31st May, 2014 the following transactions took place:

- (i) Daniel worked for 156 hours and his rate per hour sh. 600.
- (ii) Immaculate did not attend all hours in this month of May of 2014, she only managed to work for 144 hours and her rate per hour was sh. 500.
- (iii) Fayez has fully experience in repairing Television, received the rate of sh. 600 per hour. During the month he spent 180 hours, but he took a salary advance of sh. 5,000 that to be recovered in the salary of May 2014.
- (iv) Gabriel has 3 months only to work with Sinza Enterprises Ltd. During May 2014 worked for 140 hours at the rate of sh. 400 per hour.
- (v) House allowance at 15% on basic salary is paid to all employees.
- (vi) Every employee is entitled to transport allowance of sh. 10,000 per month.
- (vii) Every employee is to receive 8,000 per month meal allowance.
- (viii) PAYE:- Salary above sh. 60,000 but not exceeding sh. 80,000, 5% of the amount in excess of sh. 60,000. Salary above sh. 80,000 up to 190,000 chargeable sh. 2,500 plus 10% of the amount in excess of sh. 80,000.
- (ix) Each employee has to contribute to SACCOS 3% of basic salary.
- (x) NHIF to be deducted in basic salary at 5% to every employee.

From the information given above, prepare the salary slips of the employees for the month of May, 2014.

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