

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

153/1

ACCOUNTANCY 1
(For Both School and Private Candidates)

Time: 3 Hours

Year : 2021

Instructions

1. This paper consists of sections A and B with a total of **eight (8)** questions.
2. Answer **all** questions in section A and **three (3)** questions from section B.
3. Each question in section A carries **ten (10)** marks and in section B **twenty (20)** marks.
4. Workings must be shown clearly and submitted.
5. Non programmable calculators may be used.
6. Cellular phones and any unauthorised materials are **not** allowed in the examination room.
7. Write your **Examination Number** on every page of your answer booklet(s).



SECTION A (40 Marks)

Answer **all** questions in this section.

1. Briefly describe the following accounting concepts:

- (a) Business entity
- (b) Dual aspect concept
- (c) Time interval concept
- (d) Going concern

2. The Trial Balance of Sebene Mwakinyaki failed to agree on 31st December 2019. The credit side exceeded the debit side by TZS 125,000. A suspense account was opened for the difference and the income statement was prepared which showed a net profit of TZS 17,172,000. The following errors were later discovered:

- (a) The owner has taken goods worth TZS 70,000 each month for his personal use but no entry was made in the books of account.
- (b) A credit sale of goods worth TZS 940,000 to S. Rock was recorded correctly in the sales book but as TZS 490,000 in the personal account.
- (c) The returns outwards book was under cast by TZS 100,000.
- (d) Goods costing TZS 225,000 were returned by R. Stone. This was recorded in the returns inwards book only.
- (e) Motor car expenses of TZS 1,475,000 were debited to motor cars account.

Using the information provided, prepare Journal entries to correct the errors, Suspense Account and a Statement of Corrected Net Profit.

3. A company makes provision for discounts allowed at a rate of 2½% of debtors. The debtors balances for each of the year ended 31st December 2017, 2018 and 2019 are as follows:

Year	TZS
2017	5,000,000
2018	6,000,000
2019	4,000,000

Using the information provided, prepare the Provision for Discounts on Debtors Account, an extract of the Income Statement and the extract of the Statement of Financial Position for the three years ended 31st December 2017, 2018 and 2019.

4. On 1st January 2016 Annet Brown bought five new machines with registration numbers T 201 ADK, T 204 BKM, T 506 CGM, T 508 DHE and T 600 EGF for TZS 2,500,000 each. Annet charges depreciation on all machines by straight line method, the machines are estimated to have a useful life of ten years with no residual value. Annet's financial year ends on 31st December annually. On 31st March 2018 she sold machine T 201 ADK for TZS 2,200,000 and on 1st July 2018 she replaced this machine with a new machine T 650 FGB costing TZS 3,000,000. Machine T 650 FGB is estimated to have a useful life of ten years with no residual value. On 1st October 2019 she sold machine T 506 CGM for TZS 1,500,000.

Use the information provided to prepare the Machinery, Provision for Depreciation on Machinery and Machinery Disposal Accounts for the two years ended 31st December 2018 and 2019.

SECTION B (60 Marks)

Answer **three (3)** questions from this section.

5. From the following Trial Balance and the additional information extracted from the books of Maryam Simba, prepare Maryam Simba's Income Statement for the year ended 30th June, 2019 and a Statement of Financial Position as at 30th June, 2019.

Maryam Simba's Trial Balance as at 30th June 2019

Details	<u>DR</u> TZS	<u>CR</u> TZS
Capital		1,552,000
Stock in trade 1/7/2018	329,600	
Bank balance	313,600	
Purchases and sales	3,312,000	4,411,200
Trade debtors / trade creditors	580,000	308,800
Motor van expenses	40,800	
Drawings	368,000	
Sales returns / purchases returns	9,600	8,000
Salaries and wages	649,600	
Motor van	500,000	
Transport and communication expenses	60,000	
Provision for doubtful debts		20,000
Bad debts	18,400	
General expenses	89,600	
Discounts	84,000	74,400
Rent and rates	19,200	
	<u>6,374,400</u>	<u>6,374,400</u>

Addition information:

- (a) Transport & communication expenses accrued TZS 12,000.
- (b) Salaries & wages owing TZS 65,600.
- (c) Rent and rates paid in advance TZS 3,200.
- (d) Depreciation on motor van to be provided at 10% annually on original cost.
- (e) Maintain the provision for doubtful debts at TZS 24,000.
- (f) Stock at 30th June 2019 was valued at TZS 403,200.

6. Forodhani Ltd has its head office in Mjini Magharibi. The company supplies goods to its branch in Pemba at invoice price which is cost plus 25%. All cash received by the branch is remitted to head office and all branch expenses are paid by head office.

Details	TZS
Balances on 1 st May, 2019:	
Branch stock (at invoice price)	800,000
Branch debtors	140,000
Petty cash	2,000
Balances on 30 th April, 2020:	
Branch stock (at invoice price)	600,000
Petty cash	6,000
Goods received from head office at invoice price	1,900,000
Goods returned by branch to head office	120,000
Sales: Cash	1,100,000
Credit sales	900,000
Cash received from debtors	860,000
Returns from branch debtors	10,000
Discounts allowed to debtors	26,000
Bad debts written off	42,000
Cash paid by head office for expenses at branch:	
Insurance	25,000
Salaries	200,000
Petty cash	<u>11,000</u>
	236,000

Use the information provided to prepare the Branch Stock, Branch Debtors, Goods Sent to Branch, Branch Stock Adjustment, Pemba Branch Accounts and Branch Income Statement in the books of the head office.

6,000

7. Kibamba Investment Ltd purchased 400,000 15% preference shares of TZS 1 each in Shitindi Beverages Ltd from Dar-es-Salaam Stock Exchange on 1st May 2018 for TZS 2,000,000. Dividend is payable semi annually on 31st March and 30th September. On 1st January 2019 the company sold fifty percent of the shares for TZS 1,600,000 ex div. On 1st July 2019 the company purchased 300,000 15% preference shares of TZS 1 each in Shitindi Beverages Ltd at TZS 5 per share. The financial year of Kibamba Investment Ltd ends on 31st December annually.

Prepare the 15% Preference Shares Investment Account to record the transactions in the books of Kibamba Investment Ltd for the two years ended 31st December, 2018 and 2019. (All calculations should be at the nearest TZS).

8. The financial statements of Himaya Enterprises for the two years ended 31st December 2018 and 2019 are given as follows:

Himaya Enterprises

Income Statement for the years ended 31st December 2018 and 2019

<u>Details</u>	<u>2018</u>	<u>2019</u>
	<u>TZS</u>	<u>TZS</u>
Sales	101,600	118,400
Less cost of goods sold	<u>50,080</u>	<u>57,600</u>
Gross profit	51,520	60,800
Less expenses	<u>41,920</u>	<u>47,680</u>
Net profit	9,600	13,120
Less Corporation Tax	<u>4,800</u>	<u>6,400</u>
Profit after tax	4,800	6,720
Less proposed dividends	<u>1,280</u>	<u>3,200</u>
Retained profit for the year	<u>3,520</u>	<u>3,520</u>

Note:

The only interest paid was on CRDB loan and only 10% of sales were made on cash.

400 000 = 1 715 500
200 000 = 8 117 500

Himaya Enterprises

Statement of Financial Position as at 31st December 2018 and 2019

	2018		2019	
Assets				
Fixed assets	TZS	TZS	TZS	TZS
Plant and machinery	4,800		16,800	
Less Provision for depreciation	-	4,800	-	16,800
Freehold property	19,200		24,000	
Less Provision for depreciation	<u>4,480</u>	14,720	<u>5,600</u>	18,400
Motor vans	5,600		5,600	
Less Provision for depreciation	<u>2,720</u>	<u>2,880</u>	<u>3,200</u>	<u>2,400</u>
Total fixed assets		22,400		37,600
Current assets				
Stock		7,200		13,120
Debtors		10,400		15,040
Bank		<u>10,880</u>		<u>1,920</u>
Total current assets		28,480		30,080
Less current liabilities				
Creditors	5,600		11,360	
Proposed dividends	<u>1,280</u>	<u>(6,880)</u>	<u>3,200</u>	<u>(14,560)</u>
Working capital		21,600		15,520
Net assets		<u>44,000</u>		<u>53,120</u>
Financed by				
Authorized share capital		<u>16,000</u>		<u>16,000</u>
Issued and fully paid ordinary shares of TZS 10/-@		12,000		16,000
Share premium		-		1,600
Retained earnings		<u>22,400</u>		<u>25,920</u>
Shareholders fund		34,400		43,520
12% CRDB Loan		<u>9,600</u>		<u>9,600</u>
Shareholder`s equity and long term liabilities		<u>44,000</u>		<u>53,120</u>

Additional information:

- At the end of December 2018 and 2019 the quoted prices of ordinary shares of Himaya Enterprises were TZS 28 and 32 per share respectively.
- Number of days in a year should be taken as 365.

Use the information provided to calculate the following accounting ratios for the two years ended 31st December, 2018 and 2019;

- Acid test
- Current

- (iii) Gross profit margin
- (iv) Net profit margin
- (v) Price Earnings (P/E)
- (vi) Rate of stock turnover
- (vii) Return on capital employed
- (viii) Average debtors collection period in number of days
- (ix) Earnings Per Share (EPS)
- (x) Interest cover