

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

153/1

ACCOUNTANCY 1

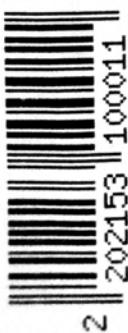
(For Both School and Private Candidates)

Time: 3 Hours

Year: 2022

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 unauthorized materials 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 (40 Marks)

Answer **all** questions in this section. Each question carries **ten (10)** marks.

- 1 Briefly describe the following accounting principles:

- (a) Objectivity
 - (b) Prudence
 - (c) Substance over form
 - (d) Materiality

2. Kibo Ltd uses the accrual basis of accounting. The company owns real estate that it rents to various tenants. Rent collected in cash during the year 2020 amounted to TZS 5,430,000. The amounts of rent receivable and unearned rent revenue on two successive financial years were as follows:

Details	31st December 2019 (TZS)	31st December 2020 (TZS)
Rent receivable	180,000	245,000
Unearned rent revenue	220,000	82,000

The company advertises its estate through Television, Radio and Newspapers. Some of its advertising costs are paid in advance while others are paid on receipts of invoice. Advertising expenses on the accrual basis of accounting for the year 2020 was TZS 3,210,000. The amounts of prepaid and accrued advertising expenses at the beginning and at the end of the year 2020 were as follows:

Details	31st December 2019 (TZS)	31st December 2020 (TZS)
Prepaid advertising	268,000	320,000
Accrued advertising	392,200	145,000

Use the information provided to prepare the Rent Revenue Account and determine the amount of revenue that will appear in the company's income statement for year ended 31st December 2020 and the Advertisement Expenses Account to determine the amount of cash paid for advertisements in 2020.

3. Financial Securities Ltd is an investment trustee whose financial year ends on 31st December annually. The following transactions relate to its business in 12% Treasury Stock for which interest is payable half yearly on 31st March and 30th September:

March 1st 2019, bought TZS 60,000 nominal value for TZS 63,480 ex-int.

June 1st 2019, bought TZS 80,000 nominal value for TZS 83,600 cum-int.

November 1st 2019, sold TZS 35,000 nominal value for TZS 39,820 cum-int.

May 1st 2020, bought TZS 40,000 nominal value for TZS 44,860 cum-int.

September 1st 2020, sold TZS 145,000 nominal value for TZS 154,800 ex-int.

Using the information provided, prepare the 12% Treasury Stock Investment Account for the financial years ended 31st December, 2019 and 2020.

4. Melinda deals in the business of buying and selling plants and prepares her financial statements on 31st December annually. She provides for full year depreciation for the plants in the year of purchase and none in the year of disposal.

At 31st December, 2015, the Plant account balance was TZS 2,800,000 and the balance on the provision for depreciation on plants account was TZS 800,000. Melinda uses the reducing balance method to calculate the amount of annual depreciation at 20 per cent per annum. On 1st May, 2017 an item of Plant which had cost TZS 300,000 on 1st March, 2015 was sold for TZS 240,000. All the items of Plant were sold at the end of the year 2020 for TZS 3,000,000.

Use the information provided to prepare the Provision for Depreciation on Plants Account for the four years ended 31st December 2017, 2018, 2019, 2020 and the Plants Disposal Account for the years ended 31st December 2017 and 2020.

SECTION B (60 Marks)

Answer **three (3)** questions from this section. Each question carries **twenty (20) marks**.

5. Zefani Ltd is a trading company whose head office is in Zanzibar. The company has a branch in Tanga. Goods are purchased by a centralized purchasing department in Zanzibar and are dispatched to Tanga at cost plus 25 per cent. All accounting records are prepared and maintained by a centralized accounting department in Zanzibar. The following information relates to the branch business for the year ended 31st December, 2019:

Details	TZS
Stock at Branch on 1 st January 2019 (at invoice price)	80,000
Branch Debtors on 1 st January 2019	20,000
Transactions during the year:	
Goods sent to Tanga (at invoice price)	500,000
Credit sales	450,000
Cash received from branch customers	395,000
Goods returned by branch customers to branch	10,000
Goods returned by Branch to Zanzibar (at invoice price)	30,000
Goods returned by branch customers to Zanzibar (at invoice price)	15,000
Discounts allowed to branch customers	15,000
Branch expenses	25,000
Branch stock on 31 st December, 2019 (at invoice price)	140,000

Using the information provided, prepare the following accounts:

- Branch Stock with two columns for recording the goods at invoice price and cost price respectively.
- Goods Sent to Branch.
- Branch Debtors.
- Branch Income Statement for the year ended 31st December, 2019.

6. The following Trial Balance has been extracted from the books of Harun Adams for the year ended 31st December 2019.

Harun Adams Trial Balance as at 31st December, 2019

Details	Debit	Credit
Capital		20,000,000
5% Loan		2,000,000
Drawings	1,750,000	
Freehold premises	8,000,000	
Furniture & Fittings	500,000	
Plant & Machinery	5,500,000	
Stock at 1 st January, 2019	8,000,000	
Cash at bank	650,000	
Provision for doubtful debts		740,000
Purchases	86,046,000	
Sales		124,450,000
Bad debts	256,000	
Bad debts recovered		45,000
Trade debtors	20,280,000	
Trade creditors		10,056,000
Bank charges	120,000	
Rent	2,000,000	
Returns inwards	186,000	
Returns outwards		135,000
Salaries	3,500,000	
Wages	8,250,000	
Travelling expenses	1,040,000	
Carriage inwards	156,000	
Discounts	48,000	138,000
General expenses	2,056,000	
Gas, electricity and water	2,560,000	
Carriage outwards	546,000	
Traveler's Salaries and commission	5,480,000	
Printing and Stationery	640,000	
	157,564,000	157,564,000

Additional information:

- (a) Stock at 31st December, 2019 was valued at TZS 7,550,000.
- (b) Interest on the loan had not been paid at 31st December, 2019.
- (c) Rent includes TZS 250,000 for premises paid in advance to 31st March 2020.
- (d) Depreciate Plant and Machinery by 10% per annum and Furniture & Fittings by 5% per annum.

- (e) Adjust the provision for doubtful debts to 5% of trade debtors.
- (f) Show wages as part of the cost of goods sold.

Using the information provided, prepare Harun Adams Income Statement for the year ended 31st December, 2019.

7. The trading inventory of Kangaroo Ventures, a retailer, has been reduced during the year ending 31st March 2020 by TZS 6,000,000 from the commencing figure of TZS 21,000,000. A number of financial ratios have been compiled relating to the business of Kangaroo Ventures for the year ending 31st March, 2020. These are shown as follows:

Net Profit as a percentage of net capital employed	15%
Net profit / Sales	9%
Sales / Net Capital Employed	166 $\frac{2}{3}$ %
Non-Current Assets / Sales	45%
Working Capital Ratio:	
Current Assets / Current Liabilities	4.0
Acid test ratio:	
(Bank + Account Receivable) / Current Liabilities	2.75
Gross profit / Sales	25%
Accounts receivable collection period:	
(Accounts receivable \times 365 days) / Sales	36.5 days
Inventory Turnover	10 times

Kangaroo Ventures has supplied all the capital for the business and had no drawings from the business during the year ending 31st March 2020. The sundry expenses amounted to TZS 38,400,000.

Using the financial ratios provided, prepare the Income Statement of Kangaroo Ventures for the year ended 31st March 2020 and the Statement of Financial Position as at 31st March, 2020.

8. Kidao is a sole proprietor at Mlandizi area in the Coast region. She manages and operates a single shop selling general merchandise both whole sale and retail. In the absence of her accounting technician, she prepared the following trial balance which did not agree:

Kidao's Trial Balance as at 30th April, 2020

Details	Debit	Credit
Sales and Purchases	6,240,000	8,705,000
Discounts	30,500	41,000
Salaries and Wages	316,800	
General expenses	59,500	
Fixtures	1,000,000	
Stock on 1 st May, 2019	1,249,000	
Debtors and Creditors	812,000	504,500
Bank balance	679,000	
Drawings and Capital	452,000	1,701,700
Suspense	113,400	
	<u>10,952,200</u>	<u>10,952,200</u>

After careful investigation of the accounting records, the following accounting errors were discovered:

- (a) The sales day book had been over cast by TZS 35,000.
- (b) Discounts allowed account had been under cast by TZS 10,000.
- (c) Fixtures bought for TZS 85,000 had been correctly entered in the cash book but not posted to fixtures account.
- (d) Credit purchases of TZS 16,600 had been correctly entered in the purchases account but not posted to the personal account.
- (e) Cheques paid to creditors TZS 49,000 had been correctly entered in the cash book but debited to drawings account.
 - (i) Prepare Journal entries and the Suspense Account to correct the errors.
 - (ii) Prepare Kidao's Corrected Trial Balance as at 30th April, 2020.

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ACCOUNTANCY 2
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Time: 3 Hours

Year: 2022

Instructions

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SECTION A (40 Marks)

Answer all questions in this section. Each question carries ten (10) marks.

1. Briefly explain the following accounting terms:
 - (a) Audit opinion
 - (b) Qualified audit opinion
 - (c) Unqualified audit opinion
 - (d) Adverse audit opinion
2. Mawenzi Enterprise started business on 1st May, 2018 selling Flat Screen Televisions of one standard type on hire purchase terms. During the year to 30th April, 2019 the company purchased televisions at a uniform price of TZS 600,000 each and sold 950 televisions under hire purchase agreements at a price of TZS 1,000,000 per television, payable by an initial deposit of TZS 300,000 per television and 10 quarterly instalments of TZS 70,000 each. The following Trial Balance was extracted from Mawenzi Enterprise's books as at 30th April, 2019:

Mawenzi Enterprises Trial Balance as at 30th April, 2019

Details	Dr TZS	Cr TZS
Capital		380,000,000
Drawings	20,000,000	
Non-current asset	50,000,000	
Purchases	600,000,000	
Cash collected from customers		418,000,000
Rates, rent and insurance	22,500,000	
Wages	43,000,000	
General expenses	51,350,000	
Bank balance	53,150,000	
Sundry trade creditors		42,000,000
	<u>840,000,000</u>	<u>840,000,000</u>

The personal accounts of customers are memorandum records. Mawenzi Enterprise prepares annual accounts on the basis of taking credit for profit (including interest) in proportion to cash collected from customers.

Using the information provided, prepare Mawenzi Enterprise's Hire Purchase Income Statement for the year ended 30th April 2019 and the Statement of Financial Position as at 30th April, 2019 (ignore depreciation of non-current assets).

3. Mr Katembo had insured his stock for TZS 420,000. His store caught fire on 7th June, 2018 and most of the stock and accounting records were destroyed by fire. After some investigations the following information was obtained:

Details	TZS
Stock on 31 st May, 2018	620,000
Debtors on 31 st May, 2018	460,000
Creditors on 31 st May, 2018	540,000
Transactions for the period from 1 st June to 7 th June, 2018:	
Receipts from debtors	570,000
Discounts allowed to debtors	10,000
Payment to creditors	512,000
Discounts received from creditors	18,000
Stock donated to a charity at cost	34,000
Stock salvaged from fire	60,000
Debtors on 7 th June, 2018	650,000
Creditors on 7 th June, 2018	490,000

Mr Katembo's gross profit margin was 25% on cost.

Using the information provided:

- (a) Prepare the Debtors and Creditors Control Accounts to determine the amount of sales and purchases for the period from 1st June to 7th June, 2018.
 - (b) Prepare a statement showing the value of stock destroyed by fire.
 - (c) Calculate the amount that Mr Katembo can claim from the insurer.
4. Mtwara Gas Ltd issued 10,000 ordinary shares of TZS 100 each at a premium of TZS 20 per share. Cash payable per share was TZS 30 on application; TZS 50 on allotment (including premium); TZS 25 on first call and TZS 15 on the second call. Applications were received for 15,000 shares, out of which applications for 5000 shares were rejected. The shares were allotted to the remaining applicants and the applicants paid their dues as scheduled.

Record the given transactions in the company's Bank, Ordinary Share Allotment, Ordinary Share Capital, Ordinary Share Premium Accounts and prepare an extract of the company's Statement of Financial Position.

SECTION B (60 Marks)

Answer **three (3)** questions from this section. Each question carries **twenty (20)** marks.

5. Miembeni Breweries Limited buys a container for TZS 200 which is charged out to customers at TZS 250 allowing TZS 150 on its return. The containers are valued at TZS 100 at stock taking. On 1st January, 2017 the stock of containers in warehouse was 8,000 and 16,000 containers were in the hands of customers.

During the year to 31st December 2019, 12,000 new containers were purchased, 26,000 containers were sent to customers and 19,000 containers were returned by customers. 200 containers were destroyed and 100 containers were sold as scrapers for TZS 400. At the end of the financial year on 31st December 2019, 14,000 containers were in the hands of customers; their return period had not expired.

- Use the information provided to prepare the Containers Stock and Containers Suspense Accounts for the year ending 31st December, 2019.

- ## 6. Chipata Company Ltd

Statement of Financial Position as at 31st December, 2018

Details	TZS	TZS
Ordinary Share capital	130,000	
Profit or loss account	<u>32,000</u>	162,000
Current Liabilities: Creditors		6,200
		<u>168,200</u>
Non-Current Assets: Equipment	130,000	
Less: Depreciation	<u>60,000</u>	70,000
Motor Vehicles	110,000	
Less: Depreciation	<u>70,000</u>	40,000
Current Assets: Cash	15,000	
Stock	9,600	
Debtors	<u>33,600</u>	58,200
Additional Information		168,200

Additional information:

- (a) Goods are purchased one month before the month of sale.
(b) Budgeted quarterly purchases and sales for the year ending 31st December, 2019 are as follows:

Period	Purchases (TZS)	Sales (TZS)
January – March	72,000	132,000
April – June	96,000	156,000
July – September	84,000	168,000
October – December	96,000	144,000

- (c) The company receives one month's credit on purchases and allows one month's credit on sales.

- (d) The following expenses will be incurred in the year ending 31st December, 2019:
- (i) Rent of TZS 1,600 per quarter paid in advance on 1st January, 1st April, 1st July, and 1st October.
 - (ii) Wages of TZS 7,200 payable monthly.
 - (iii) An insurance premium of TZS 3,000 for 15 months to 31st March, 2020 was paid on 1st January, 2019.
 - (iv) Other expenses TZS 20,000 payable quarterly.
- (e) The company will purchase additional equipment costing TZS 15,000 on 1st April, 2019.
- (f) A new motor vehicle will be purchased on 1st April, 2019 at TZS 12,000.
- (g) A motor vehicle which cost TZS 60,000 and has a written down value of TZS 30,000 on 31st December, 2018 will be sold for TZS 20,000 on 1st July, 2019.
- (h) The company provides for depreciation on its equipment at 10% per annum on cost and on motor vehicles at 12½% per annum on cost.
- (i) The company's stock at 31st December, 2019 was valued at TZS 32,000.

Use the information provided to prepare Chipata Company Ltd's quarterly Cash Budget for the year ending 31st December, 2019.

7. Peter, Teddy and Miriam were partners sharing profits in the ratio of 3:2:1. On 1st January, 2019, Teddy retired. The firm's Statement of Financial Position one day before Teddy's retirement was as follows:

Statement of Financial Position as at 31 st December, 2018		
	TZS	TZS
Financed by:		
Capital Accounts: Peter	120,000	
Teddy	100,000	
Miriam	<u>90,000</u>	310,000
Current Liabilities: Creditors	100,000	
Bills payable	50,000	
Expenses owing	<u>20,000</u>	170,000
General Reserve		60,000
		<u>540,000</u>
Non-Current Assets: Patents	30,000	
Plant	<u>300,000</u>	330,000
Current Assets: Cash	5,000	
Stock	110,000	
Debtors	<u>95,000</u>	210,000
		<u>540,000</u>

Teddy retired on 1st January, 2019 on the following terms:

- (a) Goodwill was to be valued at TZS 120,000 but no goodwill account was to be raised.
- (b) New profit and loss sharing ratio between Peter and Miriam will be 3:2.
- (c) Expenses owing are to be brought down to TZS 15,000; plant is to be valued at 10% less and patents at TZS 40,000.

- (d) The total capital of the new firm will be fixed at TZS 250,000 to be contributed by the partners in their profit and loss sharing ratios.
 - (e) The amount due to teddy was to be left in the new firm as a loan at 6% interest for five years.

Use the information provided to prepare the Revaluation Account, Cash Account, Partners' Capital Accounts and the new firm's Statement of Financial Position on 1st January 2019 after Teddy's retirement.

8. Limao gardeners Ltd have four employees in its payroll. The following information is available for the month ending 31st July 2019.

Name of Employee	Basic Salary per Month (TZS)	Other Information
Sakina	300,000	Monthly deductions of TZS 20,000 for insurance premium to the National insurance Corporation
William	450,000	Took mid-month salary advance TZS 40,000
Hilder	250,000	-
Peter	480,000	Monthly deductions for car loan TZS 50,000

Extract of the Tax Table

Salary Range (TZS)	Tax Payable
1 – 100,000	Non taxable
101,000 – 400,000	15% of pay above TZS 100,000
401,000 – 600,000	TZS 35,000 plus 30% of pay above 400,000
601,000 – 800,000	TZS 90,000 plus 50% of pay above 600,000

On monthly basis:

- (a) All employees contribute 10% of their basic salary to the National Social Security Fund and 5% of their basic salary to Limao Employee's SACCOS.
 - (b) All employees are entitled to meal allowance of TZS 50,000 per month and transport allowance of TZS 100,000 per month.

Using the information provided, prepare the Salary Slips for the employees for the month of July, 2019.