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: 2023**

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. All writing must be in **blue** or **black** ink **except** drawing which must be in pencil.
7. Cellular phones and any unauthorised materials are **not** allowed in the examination room.
8. Write your **Examination Number** on every page of your answer booklet(s).

SECTION A (40 Marks)

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

1. Briefly describe the following accounting terms:

   (a) Reserve

   (b) Provision

   (c) Revenue reserve

   (d) Capital reserve

2. For each of the following cases, state which of the basic accounting concepts or conventions is being violated?

   (a) Punching machine having a life of 4 years acquired by a small business for TZS 1,000 is debited to office equipment account.

   (b) The proprietor of the business withdraws cash from a business bank account for payment of his personal purchases.

   (c) Office furniture is recorded in the books of account at its estimated realizable value which is lower than its acquisition cost.

   (d) While preparing the statement of financial position of a business, the management of the business is not certain whether 5 per cent of the accounts receivable will be collected or not, yet the accounts receivable are shown in full.

   (e) Machinery sold under hire purchase agreement and delivered to a purchaser is shown in the statement of financial position of the vendor.

3. The financial statements of Sikinde Ltd for the year ended 31st December 2020 showed a net profit for the year of TZS 782,630. During the subsequent audit, the following errors and omissions were discovered:

   (a) Trade debtors were shown as TZS 52,100. However;

      (i) Bad debts of TZS 6,100 had not been written off.

      (ii) The existing provision for doubtful debts of TZS 1,300 should have been adjusted to 2% of debtors.

      (iii) A provision of 2% for discounts on debtors should have been made.

   (b) No adjustment had been made for insurance prepaid at 31st December 2020, TZS 4,910.

   (c) Credit purchase of TZS 17,620 had been correctly entered in the general ledger but debited to supplier's account.

   (d) Inventory items worth TZS 21,710 had been omitted from closing stock.

(e) At 31st December 2020 an accrual of TZS 5,430 for electricity charges and insurance prepayment of TZS 1,620 had been omitted.

Prepare Journal entries to correct the errors.

4. The summarized financial statements of Misunah Enterprises for the year ended 31st December 2020 were as follows:

Misunah Enterprises Income statement for the year ended 31st December, 2020

Details	TZS
Sales	520,000
Less: Cost of sales	380,000
Gross profit	140,000
Less: Operating expenses	83,000
Net profit	57,000

Misunah Enterprises Statement of Financial Position as at 31st December, 2020

Details	TZS
Non-current assets	270,000
Current assets:	
Stock	43,000
Debtors	12,000
Cash	15,000
Total assets	340,000
Capital and Liabilities:	
Capital	180,000
Add: retained profit	57,000
	237,000
Noncurrent Liabilities:	
10% Loan from TPB	60,000
Current liabilities:	
Creditors	43,000
Total capital and Liabilities	340,000

Additional information:

Stock on 1st January 2020 was TZS 51,000 and the only interest paid was on the TPB loan.

Use the information provided to calculate the following financial ratios:

(a) Gross profit as a percentage of sales
(b) Net profit as a percentage of sales

(c) Net profit as a percentage of capital employed
(d) Rate of Stock Turnover
(e) Current ratio
(f) Acid test ratio
(g) Total assets turn over
(h) Interest cover
(i) Current assets turn over
(j) Debtors collection period in number of days

SECTION B (60 Marks)

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

5. The following information was extracted from the accounting records of Siera Mobati for the year ended 31st December 2020:

Siera Mobati
Trial Balance as at 31st December, 2020

Details	**Debit**	**Credit**
Capital		750,000
Stock at 1st January, 2020	75,000	
Plant and Machinery	750,000	
Motor Vehicles	240,000	
Provision for Depreciation on Motor vehicles		48,000
Purchases and Sales	1,080,000	1,800,000
Sales and Purchases Returns	120,000	60,000
Discounts	15,000	12,000
Wages and Salaries	120,000	
Carriage inwards	7,500	
Carriage outwards	9,000	
Postage and Telephone expenses	22,500	
Water and Electricity expenses	25,800	
Bad debts written off	4,500	
Provisions for doubtful debts		3,000
General expenses	25,500	
Rent and Rates	45,000	
Debtors and Creditors	165,000	139,800
Cash in hand	18,000	
Cash at Bank	90,000	
	2,812,800	2,812,800

Additional information:

(a) Stock at 31st December, 2020 was valued at TZS 67,500.
(b) Deprecation is to be charged at 10% on cost for plant and machinery and 20% on cost for motor vehicles.
(c) At 31st December, 2020 prepaid rent and rates was TZS 3,000 and accrued general expenses amounted to TZS 9,000.
(d) An outstanding electricity expense at 31st December, 2020 was TZS 1,800.
(e) A provision for doubtful debts at 31st December, 2020 is to be increased by TZS 900.

Use the information provided to prepare Siera Mobati's Income Statement for the year ended 31st December, 2020 and the Statement of Financial Position as at 31st December, 2020.

6. Siena Ltd has a head office in Dar es Salaam and a branch at Manyara. Goods are purchased in Dar es Salaam and invoiced to and sold by the branch at cost plus 33⅓ per cent. Other than a sales ledger which is kept at Manyara, all transactions are recorded in the books in Dar es Salaam.

The following information was extracted from the financial records of the Manyara branch for the year ended 31st December 2020:

Details	**TZS**
Stock on hand on 1st January, 2020 at invoice price	44,000
Debtors on 1st January 2020	39,460
Stock on hand at 31st December, 2020 at invoice price	39,480
Goods sent to branch 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 at the branch	6,000
Bad debts written off	1,480
Cash received from debtors	224,000
Normal loss due to wastage at invoice price	1,000
Cash discounts allowed to debtors	4,280

Use the given information to prepare the following accounts:

(a) Branch Stock with two columns for recording the goods at invoice price and cost price respectively.
(b) Branch Debtors.
(c) Branch Income Statement for the year ended 31st December, 2020.

7. On 1st January, 2019 Mr White bought TZS 40,000 6% Government stock at 90. The cheque for TZS 36,800 was paid of which TZS 36,000 was for the stock and TZS 800 for brokerage charges. Interest is receivable each year on 31st March, 30th June, 30th September and 31st December.

On 28th February 2019, TZS 10,000 nominal value of the stock was sold for TZS 95,000 cum-int.

On 1st June 2019, TZS 20,000 nominal value of the stock was sold ex-int, the net proceeds after brokerage charges being TZS 171,000.

On 1st February 2020, TZS 50,000 nominal value was bought cum-int, the cost including brokerage being TZS 40,370.

On 1st June 2020, TZS 10,000 nominal value was bought ex-int, the cost including brokerage charges being TZS 91,000.

Use the information provided to prepare the 6% Government Stock Investment Account in the books of Mr White for the two years ended 31st December, 2019 and 2020.

8. Sayari Ltd was formed on 1st January, 2017 and the following purchases and sales of machinery were made during the first four years of operation:

Date acquired/Sold	Assets	Transaction	Price (TZS)
1st January 2017	Machine A	Purchases	400,000
1st October 2018	Machine B	Purchases	450,000
30th June 2020	Machine A	Sale	326,000
1st July 2020	Machine C	Purchases	600,000

Each machine was estimated to last for 10 years with a residual value of 5% of its cost price. The company uses diminishing balance method to calculate annual depreciation for machines used in the year.

Prepare the Machinery Account, Provision for Depreciation on Machinery Account for the four years ended 31st December 2017, 2018, 2019, 2020 and the Machinery Disposal Account.

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153/2 **ACCOUNTANCY 2**

(For Both School and Private Candidates)

Time: 3 Hours **Year: 2023**

Instructions

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SECTION A (40 Marks)

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

1. Write brief explanations on the following auditing documents:
   (a) Audit report
   (b) Letter of management
   (c) Letter of engagement
   (d) Letter of representation

2. Mrs. Sakina has employed Melinda as her house maid. The employment contract stipulates that Melinda has to work for 200 hours per month for a wage rate of TZS 1500 per hour. Any hour worked in excess of the basic working hours in a month will be compensated at one and a half times the normal rate of the pay. During the month ending 31st August, 2020 she worked for 215 hours. Melinda pays income tax of TZS 15,000 plus 25 per cent of the earnings above TZS 300,000 per month and contributes ten per cent of her basic salary to national provident fund monthly. She is also entitled to transport allowance of TZS 10,000 per week, meal allowance at 12 per cent of her basic salary per month and medical service allowance of TZS 20,000 per month.

   Use the information provided to prepare Melinda's Salary Slip and the General Journal to record the Payroll for the month ending 31st August, 2020.

3. Owing to staff illness, Frank Ironside Ltd was not able to take stock of its inventory on 31st December, 2019. However, the company was able to do so on 17th January, 2020 when the cost value of inventory was estimated at TZS 960,000. The company's transactions during the period of 1st to 17th January, 2020 were as follows:

   Credit Purchases TZS 1,020,000, cash purchases TZS 950,000, credit sales TZS 830,000, cash sales TZS 580,000, carriage inwards TZS 75,000, returns inwards TZS 640,000, returns outwards TZS 920,000, cost value of stock scrapped TZS 100,000 and invoice value of goods in the hands of a consignee amounted to TZS 640,000. Invoice value of goods sent to a customer on sale or return basis TZS 870,000, the customer has confirmed to buy only 50% of this value and 12% of credit sales have been confirmed as being bad debts. One page of the stock sheets prepared on 17th January, 2020 has been under cast by TZS 78,600 and a quantity of stock bought in 2020 which has been included in stock valuation on 17th January, 2020, TZS 50,000 had been expired; instruction has now been given for the destruction of this lot. It has been established that Frank Ironside Ltd achieves a uniform rate of gross profit of 25% on cost.

   Compute the cost value of Frank Ironside Ltd's inventory on 31st December, 2019.

4. SBC Ltd is a manufacturing company that manufactures a soft drink called Kinywaji. During the month of January, 2019, it manufactured 500,000 bottles full of Kinywaji, the costs associated with this level of production were direct materials TZS 10,000,000; direct labour TZS 1,350,000; direct expenses TZS 2,000,000; variable overheads TZS 1,120,000 and fixed overhead expenses for the year ended 31st December, 2019 were estimated to be TZS 1,400,000; revenue is TZS 200 per bottle of Kinywaji.

Using the information provided:

(a) Prepare a cost statement showing marginal cost and profit or loss for the month of January, 2019.

(b) Calculate the break-even point in number of bottles and revenue.

(c) Show that at break-even point total revenue is equal to total cost. Use the values calculated in question 4 (b).

SECTION B (60 Marks)

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

5. Sun Systems Ltd issued 100,000 ordinary shares of TZS 200 each payable by installments as follows: TZS 50 on application, TZS 50 on allotment, TZS 40 on first call, TZS 30 on second call and TZS 30 on the third and final call.

Applications were received for 145,000 shares. The directors decided to reject applications for 45,000 shares and the money received in respect of these shares was refunded. The following shareholders failed to pay the amounts due on their shares as shown in the following table:

Name	Shares held	Amounts not paid
Mr. Kahitira	200	1st, 2nd and 3rd calls
Mr. Kambarage	400	2nd and 3rd calls
Mr. Mafwimbo	600	3rd call

With the exception of Mr. Kahitira, Kambarage and Mafwimbo, all the shareholders paid their dues as scheduled. The Directors then forfeited the shares from Mr. Kahitira, Kambarage and Mafwimbo and re-issued them to Mr. Medium as fully paid up for TZS 220 per share.

Use the information provided to prepare the following accounts: Bank, Ordinary Shares Application, Ordinary Shares Allotment, 1st Call, 2nd Call, 3rd Call, Ordinary Share Capital, Forfeited Shares, Re Issued Shares and Ordinary Share Premium.

6. A new firm LG & Company sells its goods in containers for which a deposit is chargeable to customers on delivery of goods, a credit being allowed on their return within three months. During the year ended 31st December, 2019 the company had the following transactions:

Eight hundred new containers were bought for TZS 400 each, 3,800 containers were sent to customers at a deposit of TZS 800 per container and 2,200 containers were returned by customers and credited to their accounts at TZS 600 each. 1000 containers were kept by customers beyond the three months' limit and they therefore forfeited their right to return them to obtain a refund of the deposit. 200 containers were damaged and sold for TZS 1000 each. On 31st December, 2019 there were 600 returnable containers with customers and 1,200 containers at LG & Company's warehouse. The stock of containers at 31st December, 2019 is to be valued at TZS 300 per container to provide for depreciation through usage.

Use the information provided to prepare the Containers Stock Account and Containers Suspense Account in the books of LG & Company.

7. Henry Rook commenced business as a dealer in Typewriters and obtained an agency for Type Fast brand of typewriters for his area. He sells the typewriters both for cash and on hire purchase terms. It is the police of Henry Rook to take credit for gross profit including interest in proportion to cash received from debtors in the year. The following is a summary of his transactions for the year ending 31st December, 2019:

Details	**TZS**
Cost per typewriter	400,000
Cash selling price per typewriter	500,000
HP selling price per typewriter	580,000
Cash received from HP debtors	7 0,600,000
General expenses	18,800,000
Number of Typewriters purchased during the year	800
Number of typewriters sold on cash terms	300
Number of typewriters sold on hire purchase terms	450
Wages and salaries	450,000
Carriage outwards	200,000
Rent and rates	350,000
Water and electricity	500,000
Insurance	225,000
Stationery	250,000
Postage and Telephone expenses	300,000
Storage charges	100,000

Use the information provided to prepare Henry Rook's Income Statement for the year ended 31st December, 2019.

8. Arnold, Bester and Cheddy were partners in a firm sharing profits and losses in the ratio of 40%, 30% and 30% respectively. The firm was dissolved on 31st December, 2019 and Bester was appointed to realize the assets and distribute the proceeds to the beneficiaries. Bester was to receive 5% commission on the amounts realized from the sale of assets and to bear all the costs of realization. The balance sheet of the firm on the date of dissolution was as follows:

Arnold, Bester and Cheddy Balance sheet as at 31st December, 2019

Liabilities	**TZS**	**Assets**	**TZS**	**TZS**
Creditors	5,900,000	Cash		150,000
Capital:		Debtors	3,900,000	
Arnold	3,000,000	Less: Provision for doubtful debts	200,000	3,700,000
Bester	2,000,000	Stock		6,000,000
		Furniture		600,000
		Cheddy's Capital		450,000
	10,900,000			10,900,000

Additional information:

Debtors realized TZS 3,000,000; stock TZS 4,500,000; furniture TZS 500,000; goodwill TZS 200,000; creditors were paid TZS 5,750,000 in full settlement. In addition, unrecorded creditors of TZS 50,000 were also paid; the cost of dissolution amounted to TZS 60,000. Arnold and Bester agreed to receive TZS 300,000 in full settlement from Cheddy.

Use the information provided to prepare the Realization Account, Cash Account and Partners' Capital Accounts.