

**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: 2024

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. All writing must be in **blue or black** ink, **except** drawings which must be in pencil.
6. Non programmable calculators may be used.
7. Communication devices and any unauthorised materials are **not** allowed in the examination room.
8. 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. Why accounting information is important to each of the following users?
 - (a) Creditors
 - (b) Customers
 - (c) Debt providers
 - (d) Tax authorities
 - (e) Financial analysts
2. The Trial Balance of Kieta Traders failed to agree on 31st December 2022. The debits exceeded the credits by TZS 23,800,000. Investigation of the accounting records for the year ended 31st December 2022 revealed the following errors:
 - (a) Sales had been over cast by TZS 1,500,000.
 - (b) Returns outwards account had not been credited with an amount of TZS 6,132,000.
 - (c) A payment by debtor of TZS 15,000,000 by a direct bank transfer had not been entered in the debtor's account.
 - (d) TZS 2,200,000 received from a debtor had been debited to his account.
 - (e) A cash purchase of TZS 232,000 had been recorded in the cash book only.
 - (f) A sale of goods worth TZS 125,000 to Adam had been omitted from the books.
- Using the information provided, prepare Journal entries to correct the errors and prepare Suspense account.
3. The financial year of a company starts from 1st January to 31st December. On 1st January 2018, the company bought equipment for TZS 10,000,000. The company estimated that, the asset will be used for five years. After exactly two and a half years, the equipment was inefficient and the company decided to sell it for TZS 5,000,000. The company provides a full year's depreciation in the year of purchase using straight line method and no depreciation is charged in the year of disposal.
- Use the information provided to prepare the Equipment, Provision for Depreciation on Equipment Accounts for the three years ending 31st December, 2018, 2019, 2020 and the Equipment Disposal Account for the year ending 31st December, 2020.
4. Minolta Ltd provides for doubtful debts at a rate of 2½ per cent of debtors. The debtors balances for each of the years ending 31st December 2020, 2021 and 2022 are as follows:

Year	TZS
2020	10,000,000
2021	20,000,000
2022	14,000,000

Using the information provided, prepare the Provision for Doubtful Debts Account, an extract of the Income Statement and the extract of the Statement of Financial Position for the three years ending 31st December 2020, 2021 and 2022.

SECTION B (60 Marks)

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

5. The following Trial Balance and additional information has been extracted from the books of Suzan Kipanga for the year ending 31st December 2022.

Suzan Kipanga's, Trial Balance as at 31st December, 2022

Name of Account	Dr (TZS)	Cr (TZS)
Inventory at 1 st January 2022	50,000,000	
Freehold premises	240,000,000	
Bills Receivable	30,000,000	
Purchases	280,000,000	
Salaries and wages	35,000,000	
Sales		520,000,000
Fixtures and fittings	25,000,000	
Discounts	7,500,000	4,500,000
Plant and machinery	140,000,000	
Rates	5,600,000	
Advertising	10,400,000	
Insurance	3,800,000	
General expenses	7,200,000	
Provision for doubtful debts		1,800,000
Sundry debtors and creditors	60,000,000	43,000,000
Bills payable		15,000,000
Cash in hand	2,400,000	
Bank overdraft		18,600,000
Drawings	6,000,000	
Capital		300,000,000
	902,900,000	902,900,000

Additional information:

- (a) Provision for depreciation on plant and machinery at 10 per cent per annum and on fixtures and fittings at 15 per cent per annum.
- (b) Increase the provision for doubtful debts to 4 per cent of sundry debtors.
- (c) Prepaid insurance at 31st December, 2022 amounted to TZS 500,000.
- (d) Accrued rates at 31st December, 2022 amounted to TZS 400,000.
- (e) Inventory at 31st December, 2022 was valued at TZS 60,000,000.
- (f) During the year to 31st December 2022, Suzan Kipanga took goods worth TZS 2,000,000 from the business for personal use.

Prepare Suzan Kipanga's Income Statement for the year ending 31st December, 2022 and her Statement of Financial Position as at 31st December, 2022.

6. Silicon Ltd has its head office in Dodoma and a branch at Korogwe. All goods are purchased by the head office and invoiced to branch at a fixed selling price of 25 per cent above cost. All sales, both by the head office and the branch are made at the fixed selling price. The following trial balance has been extracted from the accounting records of the head office as at 31st December, 2020:

Trial Balance as at 31st December, 2020

Details	DR (TZS)	CR (TZS)
Capital		2,080,000
Drawings	69,600	
Purchases	4,935,200	
Sales		3,342,000
Goods sent to branch (at selling price)		2,250,000
Branch current account	982,000	
Fixed assets	1,320,000	
Debtors and Creditors	319,200	442,400
General expenses	338,800	
Bank	149,600	
Total	8,114,400	8,114,400

Additional information:

- (a) No entries had been made in the head office books for cash in transit amounting to TZS 40,000 from the branch to head office at 31st December, 2020.
- (b) When the balances were extracted from the branch books at 31st December, 2020, no entries had been made in the books of the branch for goods in transit amounting to TZS 36,800 (at selling price) from the head office to branch.

The following balances appeared in the branch books on 31st December, 2020:

Details	TZS
Fixed assets	240,000
General expenses	242,000
Debtors	281,600
Creditors (excluding head office)	65,200
Sales	2,068,000
Bank	60,800

When stock was taken on 31st December 2020, there was no shortage of goods at head office. The branch inventory taking revealed a shortage of goods worth TZS 12,000 at selling price.

In columnar form, prepare the income statement for the head office and branch, as they would appear if goods sent to branch had been invoiced at cost and the combined statement of financial position of Silicon Ltd as on 31st December, 2020.

7. Mr. Jommo is an investment dealer based in Arusha. The following information has been extracted from his books for the financial year ending 30th June, 2020. Use the information provided to prepare the 4 per cent Loan Stock Investment Account and the Equity Shares Investment Accounts in Hambo Ltd and Tembo Ltd in the books of Mr. Jommo for the year ending 30th June, 2020.

2019:

- July 1 Jommo purchased TZS 4,800,000 (4 per cent loan stock at 60½ cum-interest). Interest is payable yearly on 1st February and 1st August.
- July 12 Jommo purchased 8,000 equity shares of TZS 100 each in Hambo Ltd for TZS 1,600,000.
- August 15 Hambo Ltd made a bonus issue of three equity shares for every two shares. Jommo sold 10,000 of the bonus shares for TZS 100 each.
- October 1 Jommo purchased 20,000 equity shares of TZS 100 each in Tembo Ltd at TZS 77.5 per cent each.

2020:

- January 2 Jommo sold TZS 1,200,000 (4 per cent Loan stock at 61 ex-interests).
- March 1 Jommo received dividend of 18 per cent on equity shares in Hambo Ltd.
- April 1 Tembo Ltd made a 'rights' issue of one share for every two held at TZS 50 per share. Jommo sold the rights for TZS 25 per share.
- June 1 Jommo received dividend of 12½ per cent on shares in Tembo Ltd.

8. The Television broadcasting industry is rapidly growing in Tanzania. Recently, two leading companies have emerged in selling television equipments and connectivity. TEHAMA Ltd and Net Com Plc are the companies from which the reference is drawn. The following are financial statements of the two companies for the year ending 31st December, 2020:

Income Statement for the Year Ending 31st December, 2020

Details	TEHAMA Ltd		Net Com Plc	
	TZS	TZS	TZS	TZS
Sales		2,220,000		3,000,000
Cost of sales:				
Opening inventory	400,000		320,000	
Purchases	<u>800,000</u>		<u>1,280,000</u>	
	1,200,000		1,600,000	
Closing inventory	<u>240,000</u>	<u>960,000</u>	<u>280,000</u>	<u>1,320,000</u>
Gross profit		1,260,000		1,680,000
Depreciation	20,000		60,000	
Wages and salaries	660,000		880,000	
Miscellaneous expenses	<u>180,000</u>	<u>860,000</u>	<u>140,000</u>	<u>1,080,000</u>
Profit for the year		<u>400,000</u>		<u>600,000</u>

Statement of Financial Position as at 31st December, 2020

Details	TEHAMA Ltd		Net Com Plc	
	TZS	TZS	TZS	TZS
Non-Current Assets:				
TV equipments	200,000		400,000	
Less: Provision for depreciation	<u>160,000</u>	40,000	<u>120,000</u>	280,000
Current Assets:				
Inventory	240,000		280,000	
Accounts receivable	500,000		400,000	
Bank	<u>100,000</u>	<u>840,000</u>	<u>50,000</u>	<u>730,000</u>
		<u>880,000</u>		<u>1,010,000</u>
Capital		304,000		288,000
Net profit		<u>400,000</u>		<u>600,000</u>
		704,000		888,000
Less: Drawings		<u>240,000</u>		<u>280,000</u>
		464,000		608,000
Current Liabilities:				
Accounts payable		<u>416,000</u>		<u>402,000</u>
		<u>880,000</u>		<u>1,010,000</u>

(a) Use the information provided to calculate the following ratios:

- (i) Gross profit margin
- (ii) Net profit margin
- (iii) Expenses as a percentage of sales
- (iv) Inventory turnover
- (v) Rate of return on capital employed (use the average capital)
- (vi) Current ratio
- (vii) Acid test ratio
- (viii) Total assets turn over
- (ix) Accounts receivable collection period in months
- (x) Accounts payable payment period in months

(b) Which company seems to be the most profitable? Give five reasons to support your answer basing on Actual profit for the year, Net profit margin, Rate of return on capital employed, Inventory turn over and Accounts receivable collection period.

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ACCOUNTANCY 2
(For Both School and Private Candidates)

Time: 3 Hours

Year: 2024

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.
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SECTION A (40 Marks)

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

1. Briefly explain the meaning of each of the following accounting terms:
 - (a) Internal audit
 - (b) Internal control system
 - (c) Auditor's report
 - (d) Audit evidence
2. In a tabular form, differentiate computerized accounting system from the manual or traditional accounting system based on the following five criteria: Record keeping, accounting errors, posting of accounting entries to the ledgers, closing of books and consolidation of financial statements.
3. Kicheko purchased seven trucks on hire purchase on 1st July, 2022. The cash purchase price of each truck was TZS 50,000,000. He was to pay 20% of the cash purchase price on delivery and the balance in five half-yearly instalments starting from 31st December, 2022 with interest at 5% per annum. Kicheko failed to pay the instalment due on 30th June, 2023 and it was agreed that Kicheko would return 3 trucks to the vendor and retain the remaining trucks. The return price of the 3 trucks was TZS 40,500,000. Kicheko charges depreciation at 20% per annum on all the trucks. After spending TZS 1,000,000 on repairing the returned trucks, the vendor sold them away for TZS 40,000,000.

Using the information provided, prepare the following:

 - (a) Trucks and Hire Purchase Vendor Accounts in the books of Kicheko for the two years ending 31st December, 2023.
 - (b) Hire Purchase Debtor and Goods Repossessed Accounts in the books of hire purchase vendor for the two years ending 31st December, 2023.
4. Thawabi Ltd sells their products in returnable containers which cost TZS 50,000 each. A container is charged out to customers at TZS 100,000. If the customers return the containers in good condition within three months, a credit is given at TZS 75,000 per container. At the end of the year, all containers owned by the company; whether within the factory or in the hands of customers are valued at TZS 25,000 each for accounting purpose.

On 1st January 2023, the company had 240 containers in the factory and 300 in the hands of customers. During the year 2023, 200 new containers were purchased; 600 were charged out to customers; 560 were returned by the customers within the prescribed period and 20 containers were kept by customers beyond the three months' time limit. During the year ended 31st December 2023, 8 containers were sold for TZS 10,000 each and 3 others were scrapped. When stock was taken on 31st December 2023, there was a deficit of 9 containers.

Using the information provided, prepare the Container Stock, Containers Suspense Accounts and the Statement of profit or loss on container's usage.

SECTION B (60 Marks)

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

5.

Msema Kweli, the owner of automatic door closers technology, granted Muswaki Enterprises Ltd a licence for ten years to manufacture and sell door closers on the following terms:

- (a) Muswaki Enterprises Ltd to pay a royalty of TZS 1,000 for every door closer sold with a minimum payment of TZS 500,000 per annum. Calculation to be made annually on 31st December but payment to be made on 31st January of the next year.
- (b) If for any year, the royalties calculated on door closers sold amount to less than TZS 500,000, Muswaki Enterprises Ltd may set off the deficiency against royalties' payable in excess of that sum in the next two years.

With effect from the end of the second year, the agreement was varied and a minimum annual payment of TZS 400,000 was substituted for TZS 500,000. The other terms of the agreement remained unchanged. The following units of door closers were sold during the first four years:

Year ending 31st December	Units
2017	200
2018	400
2019	600
2020	500

Using the information provided, prepare the Minimum Rent, Royalties, Short Workings and land lord accounts for the four years ending 31st December 2017, 2018, 2019 and 2020.

6.

General Tyre Ltd is a company located at Njiro industrial area in Arusha. The company deals with production of tyres of different sizes. The company issued a share capital of TZS 1,000,000 divided into 2,000 ordinary shares of TZS 500 per share. The shares are payable by instalment as follows: TZS 100 on application (including premium), TZS 180 on allotment, TZS 130 on first call and TZS 120 on the second call.

Applications were received for 2,900 shares. Applicants for 400 shares were rejected, the balance being allotted on pro-rata basis. Allotment monies were duly received with the exception of 300 shares for which the subscriber failed to pay. The calls were made and the subscribers paid for their shares accordingly except the holder of the three hundred shares who failed to pay on allotment. In addition, Mr. Kamundi failed to pay his dues on the first and second calls on his 160 shares. The 460 shares were forfeited for non payment of allotment and call moneys and later on were re-issued for TZS 520 per share. The new subscriber paid for the shares in full.

Use the information provided to prepare the Bank, Application and Allotment, Ordinary Share Premium, Ordinary Share Capital, first call, second call, calls in Arrears, Forfeited Shares and Re-Issued Shares Accounts.

7. Alaba, Bisau, and Chelewa were partners in ABC Ventures sharing profits and losses in the ratio of 3:2:1. The following is their statement of financial position as at 31st December 2022:

Statement of Financial Position as at 31 st December, 2022		
Details	TZS	TZS
Assets		
Non Current Assets		
Premises	6,000,000	3,600,000
Furniture and fittings	480,000	280,000
Equipment	1,520,000	1,000,000
Motor vehicles	1,280,000	440,000
		9,280,000
Current Assets		
Inventory	2,200,000	1,320,000
Accounts receivable	1,480,000	960,000
Bank	560,000	350,000
		4,240,000
Total Assets		13,520,000
Capital and Liabilities		
Capital Accounts:		
Alaba	5,226,000	3,136,000
Bisau	3,626,000	2,212,000
Chelewa	2,028,000	1,200,000
		10,880,000
Current Liabilities		
Accounts payable		2,240,000
Total Capital and Liabilities		13,520,000

The partners decided to dissolve the partnership as at 1st January 2023. The premises and inventory were sold for TZS 5,200,000. The Accounts receivable realized TZS 1,200,000. Equipment and furniture and fittings were sold for TZS 1,000,000 and 440,000 respectively. Motor vehicles were taken over by Alaba and Bisau at agreed values of TZS 600,000 and TZS 400,000 respectively.

Using the information provided, prepare the Realization, Bank and partners' Capital Accounts to record the dissolution of the firm.

8. Mrs. Jumbe operates a grocery at Mbagala in Dar es Salaam. She has three employees in her payroll namely: Josephine, Abdallah and Chinga. The employees normally work 8 hours a day and 22 days in a month. Any time worked beyond the normal working time in a day is compensated at one and a half times the normal rate. Time worked on Sundays and holidays is compensated twice the normal rate. The minimum pay is fixed at the normal working hours of the normal working month. The normal hourly rate for Josephine, Abdallah and Chinga is TZS 4,000, TZS 10,000 and TZS 5,600 respectively. During the month ending 30th November 2023, the employees worked as follows:

Employee Name	Total hours worked	Normal days Overtime hours worked	Holidays/Sundays hours worked
Josephine	184	-	8
Abdallah	190	14	-
Chinga	224	32	16

Workers have the following benefits above the hourly pay:

- (a) Transport allowance, TZS 6000 per day for the normal working month.
- (b) Hardship allowance, TZS 200,000 per month.
- (c) Housing rent assistance, 25 per cent of the basic pay.

The employee's earnings are subject to the following monthly deductions:

- (i) Income tax (PAYE) is to be charged as per the rates given by the Government which is indicated in the following schedule:

Monthly Income	Rate Payable
Where income does not exceed TZS 500,000	Nil
Where such income exceed TZS 500,000 but does not exceed TZS 1,800,000	18.5 percent of the amount in excess of TZS 500,000
Where such income exceed TZS 1,800,000 but does not exceed TZS 3,600,000	TZS 240,000 plus (20%) of the amount in excess of TZS 1,800,000
Where such income exceed TZS 3,600,000 but does not exceed TZS 5,400,000	TZS 600,000 plus (30%) of the amount in excess of TZS 3,600,000
Above TZS 5,400,000	TZS 1,050,000 plus (30%) in excess of TZS 5,400,000

- (ii) All benefits received by employees are taxable except housing rent assistance to the extent of 15 per cent of the basic pay.
- (iii) NSSF at 10 per cent of the gross salary to be contributed by employee and 10 per cent of the gross salary to be contributed by the employer.
- (iv) Development levy for the city of Dar es Salaam is 1 percent of the basic pay. During the month of November, 2023 the employer advanced TZS 400,000 to Chinga who had family problems.
- (v) The rest of the payments to employees were affected through bank at the end of the month. NSSF, income tax and development levy deductions are submitted to the relevant authorities on the first working day of the next month.

Use the information provided to prepare the Salary Slips of the employees for the month ending 30th November, 2023.