

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

153/1

ACCOUNTANCY 1
(For Both School and Private Candidates)

Time: 3 Hours

Tuesday, 05th May 2015 p.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) Investors
- (b) Transactions
- (c) Liabilities
- (d) Prepaid expenses
- (e) Drawings.

2. (a) Pachoto Limited is a family-controlled company which operates a chain of retail outlets specialising in motor spares and accessories.

Branch stocks are purchased by a centralised purchasing function in order to obtain the best terms from suppliers. A 10 per cent handling charge is applied by head office to the cost of the purchases, and branches are expected to add 25 per cent to the resulting figure to arrive at normal selling prices. Although branch managers are authorised to reduce normal prices in special situations, the effect of such reductions must be notified to head office.

On 1st April, 2012, a new branch was established at Mwanza. The following details have been recorded for the year ending 31st March, 2013:

	Sh.
Purchase cost to head office of stock transferred to Mwanza	824,000
Mwanza branch sales: Cash	899,400
Credit	18,700
Stocks transferred from Mwanza to other branches, at normal selling prices	33,000
Authorised reductions from normal selling prices during the year	22,500

All records in respect of branch activities are maintained at head office, and the branch profit margin is dealt with through a branch stock adjustment account.

From the information given above:

- (i) Prepare the branch stock account at selling prices.
- (ii) Prepare the branch stock adjustment account.
- (iii) Prepare a statement which shows the stock difference.
- (iv) List four possible reasons for the stock difference revealed when a physical stocking at the Mwanza branch on 31st March, 2013 showed stock valued at selling prices amounting to sh. 148,500.

(b) An accounts clerk extracts a trial balance in the books of M Majaliwa which fails to agree by sh. 70,700. He places the difference on the credit side in a suspense account and then proceeds to prepare draft income statement for the year ending 31st May, 2012 which results in a net profit of sh. 50,000. Later he attempts to find the errors which had caused the difference. Investigations reveal the following:

1. Sales day book was under cast by sh. 100,000.
2. Discount received of sh. 10,800 from Dandu supplies, has been correctly entered in the cash book but has not been posted to the account of Dandu supplies.
3. Purchases day book has been under cast by sh. 58,500.
4. Sh. 22,000 received from a debtor had been debited to his account.
5. Discount allowed, sh. 2,000 have been posted to the credit side of discounts received account.
6. The cost of new equipment sh. 120,000 had been debited to the repairs account.

Using the above details:

- (i) Pass journal entries to correct the above errors
- (ii) Prepare suspense account duly balanced.

3. (a) A firm had the following balances on 1st January, 2012.

Provision for bad debts	25,000
Provision for discount on debtors	12,000
Provision for discount on creditors	10,000

During the year bad debts amounted to sh. 20,000, discount allowed were sh. 1,000 and discount received were sh. 2,000. During 2013 bad debts amounting to sh. 10,000 were written off while discount allowed and received were sh. 20,000 and sh. 5,000 respectively.

Total debtors on 31st December, 2012 were sh. 480,000 before writing off bad debts but after writing off discounts. On 31st December, 2013 the amount of debtors were sh. 190,000 after writing off the bad debts but before allowing discounts. Total creditors on these two dates were sh. 200,000 and 250,000 respectively.

It is the firm's policy to maintain a provision of 5% against bad and doubtful debts and 2% for discount on debtors and a provision of 3% for discount on creditors.

Using the information provided prepare:

- (a) Provision for bad and doubtful debts account.
- (b) Provision for discount on debtors account.
- (c) Provision for discount on creditors account.

(b) On 1st April, 2012 Komba Ltd purchased 10,000 ordinary shares of sh. 10 each full paid in Mbawala Ltd at a cost of sh. 205,000. During the year the following transactions were made:

- (i) On 1st September, 2012 Mbawala Ltd declared and paid a dividend of 15% on its shares for the year ending 30th June, 2012.
- (ii) On 1st October, 2012 Mbawala Ltd gives its eight members the right to subscribe for one ordinary share for every eight held on 1st November, 2012, at a price of sh. 15 per share payable in full on application.
- (iii) On 15th November, 2012 Komba Ltd purchased for sh. 4 per share the right of another shareholder in Mbawala Ltd to subscribe for 750 shares under the right issue.
- (iv) On 30th November, 2012 Komba Ltd applied and paid for all the shares in Mbawala Ltd to which it was then entitled.
- (v) On 8th September, 2013 Mbawala Ltd declared and paid a dividend for the year ended 30th June, 2013, of 15% on all ordinary shares including those issued in 2012.
- (vi) On 1st October, 2013 Komba Ltd sold 4,500 ordinary shares in Mbawala Ltd for sh. 98,750.
- (vii) The accounting year of Komba Ltd ends on 31st December.
- (viii) Komba Ltd does not make apportionments of dividend received or receivable. When part of a holding of shares is sold, it is practice of this company to calculate the cost of the shares sold as an appropriate part of the average cost of all the shares held at the date of the sale.

From the information given above, show the investment account in the books of Komba Ltd for the two years ending 31st December, 2012 and 2013 bringing down the balance at the end of each year.

4. (a) Three of the accounts in the ledger of Goodluck indicated the following balances at 1st January, 2012:

	Sh.
Insurance paid in advance	56,200
Wages outstanding	30,600
Rent receivable, received in advance	3,600

Transactions made by Goodluck during the year:

- Paid for insurance sh. 101,900 by bank standing order
- Paid sh. 1,500,000 wages in cash
- Received sh. 260,000 rent, by cheque from the tenant.

At 31st December, 2012, insurance prepaid was sh. 34,500. On the same day rent receivable in arrears was sh. 10,500 and rent received in advance was sh. 4,500. Wages accrued amounted to sh. 41,900.

Using the above information prepare:

- (i) Insurance, Wages and Rent Receivable accounts for the year ending 31st December, 2012.
- (ii) Income Statement (extract) for the year ending 31st December, 2012.

(b) Malingumu Bus Services Ltd operates between Dar es Salaam and Kampala. The firm had two buses as at 1st January, 2012 as shown below:

Bus 1 (T 200 AAA) purchased on 31st March, 2008 for sh. 4,000,000.

Bus 2 (T 201 AAA) purchased on 1st April, 2009 for sh. 5,000,000.

Depreciation is charged at 20% per annum on cost.

During the year ending 31st December, 2012, the following transactions took place.

1st May Bus 3 (T 202 AAA) was bought for sh. 6,000,000.

30th June Bus 2 (T 201 AAA) was involved in an accident at Korogwe. It was scrapped off. Zanzibar Insurance Company paid sh. 2,500,000 as insurance claim.

1st July Bus 4 (T 203 AAA) was purchased for sh. 8,000,000.

1st October Bus 4 (T 203 AAA) proved uneconomical and it was traded in for Bus 5 (T 204 AAA) which cost sh. 7,500,000.

Malingumu Bus Services Ltd provides depreciation from the day of purchases to the date of disposal and makes its accounts to 31st December each year.

From the information given above, show the entries for the year ending 31st December, 2012:

- (i) Buses account.
- (ii) Accumulated for depreciation account.
- (iii) Buses disposal account.

SECTION B (40 Marks)

Answer two (2) questions from this section.

5. Identify the accounts affected by the following transaction and show the action to be taken in recording the accounts in the double entry system.

- (i) A debtor S Kaijage paid us in cash
- (ii) Received rent paid in cash
- (iii) Owner withdraws cash from business for personal use
- (iv) Paid commission by cheque
- (v) Bought furniture on credit from G Opio
- (vi) Sold goods receiving payment in cash
- (vii) Bought goods paying in cash
- (viii) Sold goods on credit to S Kaijage
- (ix) Some of the goods bought from G Opio were returned back to him for default reasons.
- (x) S Kaijage returned to us some of the goods bought, as they were in excess of his order.

6. The following balances were extracted from the books of Machungwa Machachu, a sole trader for the year ending 30th September, 2012.

	Sh.	Sh.
Capital 1 st October, 2011		8,760,000
Drawings	900,000	
Trade debtors and creditors	1,356,000	1,626,600
Purchases and sales	3,141,600	6,669,600
Returns inwards	108,300	
Returns outwards		164,100
Wages and salaries	1,410,000	
Discount allowed	74,400	
Discount received		127,800
Stock 1 st October, 2011	1,900,200	
Bank	792,300	
Cash in hand	42,600	
Lighting and power expenses	141,600	
Rates	74,400	
Office buildings	1,950,000	
Fixtures and fittings	432,000	
Motor vehicles	4,800,000	
Purchase of stationery	46,800	
Sundry expenses	19,200	
Insurance	180,000	
Provision for bad and doubtful debts		199,500
Motor vehicle running expenses	115,800	
Bad debt written off	21,600	
Postage and telephone	40,800	
	<u>17,546,600</u>	<u>17,546,600</u>

You have also been provided with the following information:

1. Stock in trade on 30th September, 2012 amounted to sh. 1,320,000.
2. One-quarter of lighting and power expenses is to be treated as drawing for personal use of Machungwa Machachu.
3. Depreciation is to be provided for as follows:
 - 10% on fixture and fittings.
 - 20% on motor vehicles.
 - 5% on office building.
4. Rates prepaid amounted to sh. 19,200.
5. Insurance unexpired amounted to sh. 3,000.
6. Provision for bad and doubtful debts at the end of the year is to be equal to 10% of trade debtors.

Using the above information, prepare Income Statements for the year ending 30th September, 2012 as well as Statement of Financial Position as on that date.

(a) On 1st January, 2014, S Kanjanja had the following assets and liabilities:

	Sh.
Cash at bank	
Stock	1,400,000
Debtors:	4,000,000
Mashamba Yazimbabwe	1,500,000
Riziki Mapengo	960,000
Creditors:	1,300,000
Mgomvi Manundu	850,000
Kupata Majaliwa	420,000
Office equipment	
Motor van	3,200,000

His transactions during the month of January were as follows:
2014

- January 2 Withdrew sh. 200,000 from bank for office use
2 Purchased goods from Mgomvi Manundu sh. 250,000 on credit
4 Bought office stationery sh. 36,000 in cash
7 Received cheque sh. 940,000 from Riziki Mapengo in full settlement less sh. 20,000 cash discount
12 Sold goods to Mashamba Yazimbabwe sh. 1,400,000 on credit
14 Paid salaries sh. 80,000 in cash
15 Paid Kupata Majaliwa sh. 600,000 by cheque on account
16 Returned goods worth sh. 30,000 to Mgomvi Manundu and received a credit note
20 Bought office equipment sh. 145,000 on credit from Patel Brothers
23 Sold all goods on hand receiving sh. 1,250,000 cash and sh. 5,000,000 by cheque
27 Paid Patel Brothers sh. 130,000 in cash
28 Withdrew sh. 370,000 from the bank for personal use
29 Paid rent sh. 160,000 in cash and salaries sh. 180,000 by cheque.

Post the above transactions to the Debtors' and Creditors' Ledger as well as Cash Account.

(b) The following are the Income Statements and Statements of Financial Position for two similar types of retail stores:

	Income Statement			
	J		K	
	Sh.	Sh.	Sh.	Sh.
		80,000		120,000
Sales				
Less: Cost of goods sold:	25,000		22,500	
Opening stock	<u>50,000</u>		<u>91,000</u>	
Add: Purchases	<u>75,000</u>		<u>113,500</u>	
	<u>15,000</u>	60,000	<u>17,500</u>	96,000
		20,000		24,000
Less: Closing stock			3,000	
Gross profit	<u>1,000</u>	<u>10,000</u>	<u>6,000</u>	<u>9,000</u>
Less: Depreciation	<u>9,000</u>	<u>10,000</u>		<u>15,000</u>
Other expenses				
Net profit				

Statement of Financial Position				
	J		K	
	Sh.	Sh.	Sh.	Sh.
Non-Current Assets:				
Equipment at cost	10,000		20,000	
Less: Depreciation to date	<u>8,000</u>	2,000	<u>6,000</u>	14,000
Current Assets:				
Stock	15,000		17,500	
Debtors	25,000		20,000	
Bank	<u>5,000</u>	<u>45,000</u>	<u>2,500</u>	<u>40,000</u>
		<u>47,000</u>		<u>54,000</u>
Capital	38,000		36,000	
Add: Net profit	<u>10,000</u>		<u>15,000</u>	
	48,000		51,000	
Less: Drawings	<u>6,000</u>	42,000	<u>7,000</u>	44,000
Current Liabilities:				
Creditors		<u>5,000</u>		<u>10,000</u>
		<u>47,000</u>		<u>54,000</u>

Using the above information, calculate the following ratios:

- (i) Gross profit as a percentage of sales
- (ii) Net profit as a percentage of sales
- (iii) Gross profit as a percentage of purchases
- (iv) Expenses as a percentage of sales
- (v) Stock turnover ratio
- (vi) Rate of return of net profit on capital employed (use the average of the capital account for this purpose)
- (vii) Current ratio
- (viii) Acid test ratio
- (ix) Debtor's sales ratio
- (x) Creditor's purchases ratio.