

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

132/1

ACCOUNTANCY 1
(For Both School and Private Candidates)

Time: 3 Hours

Year: 2020

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).

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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 accounting terms:
 - (a) Revenue
 - (b) Expense
 - (c) Prepayment
 - (d) Accrual
2. Savana Investment Ltd purchased a plant for TZS 1,000,000 on 1st January, 2017. On 1st July in the same year an additional plant was purchased costing TZS 500,000. On 1st July, 2018, the plant which was purchased on 1st January, 2017 became obsolete and was sold off for TZS 400,000. Savana Investment Ltd provided for depreciation on its plants at the rate of 10% per annum on original cost at 31st December every year.

Prepare the Plant, Provision for Depreciation on Plant and Plant Disposal Accounts for the two years ended 31st December 2017 and 2018.

3. Record the following transactions in the Double Column Cash Book of K. Potter post the entries to K. Young, T. Monk accounts and balance off the accounts at 31st January 2019.

January 1, 2019, K. Potter started business putting TZS 9,000,000 into a newly opened bank account.

January 2, 2019, K. Potter purchased goods worth TZS 900,000 on credit from T. Wood.

January 3, 2019, K. Potter purchased goods worth TZS 250,000 on credit from K. Young.

January 4, 2019, K. Potter sold goods for cash TZS 180,000.

January 6, 2019, K. Potter returned goods worth TZS 40,000 to T. Wood and received a credit note.

January 10, 2019, K. Potter sold goods to T. Monk TZS 590,000 on credit.

January 12, 2019, K. Potter sold goods for cash TZS 210,000.

January 18, 2019, K. Potter purchased goods worth TZS 190,000 on credit from K. Young.

January 21, 2019, K. Potter bought Machinery worth TZS 550,000 for cash.

January 23, 2019, T. Monk returned goods worth TZS 140,000 to K. Potter.

January 28, 2019, K. Potter returned goods worth TZS 80,000 to K. Young and received a credit note.

January 29, 2019, K. Potter paid T. Wood TZS 860,000 by cheque.

January 30, 2019, K. Potter received a cheque for TZS 300,000 from T. Monk.

January 31, 2019, K. Potter paid cash TZS 170,000 to K. Young.

4. Mshirika Ltd purchased and sold Government Stocks in the year 2018. The company's transactions during the year were as follows:

1st February 2018, the Company bought 10% government stock worth TZS 120,000 nominal value at 90 excluding interest.

1st May 2018, the Company bought 10% government stock worth TZS 80,000 nominal value at 92 including interest.

1st November 2018, the Company decided to sell government stocks worth TZS 100,000 nominal value at 96 excluding interest.

Interest is payable quarterly on the last day of March, June, September and December. The financial year of the Company ends on 31st December annually.

Using the information provided, prepare the 10% Government Stock Investment Account to record the given transactions.

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 Mcheza Kwao, prepare Mcheza Kwao's income Statement for the year ended 31st March, 2019 and the Statement of Financial Position as at 31st March 2019.

Mcheza Kwao's Trial Balance as at 31st March 2019.

	TZS	TZS
Land and Buildings	2,000,000	
Capital		8,000,000
Machinery	5,000,000	
Furniture	400,000	
Stock at start	1,630,000	
Purchases and sales	8,000,000	15,050,000
Salaries	600,000	
Carriage on sales	150,000	
Freight on purchases	200,000	
Customs duty on purchases	300,000	
Advertising	540,000	
Wages	2,000,000	
Rent	300,000	
Sundry expenses	320,000	
Postage and stationery	150,000	
Repairs to machinery	200,000	
9% Loan to Kareem (Non-current)	500,000	
Prepaid insurance	20,000	
Trade debtors and creditors	2,000,000	800,000
Cash at bank	335,000	
Discounts received		40,000
Outstanding expenses		155,000
Provision for repairs		600,000
	<u>24,645,000</u>	<u>24,645,000</u>

Additional information:

- (a) Stock in trade on 31st March, 2019 amounted to TZS 1,490,000.
- (b) Machinery worth TZS 1,000,000 was purchased on 1st October 2018. Wages of TZS 50,000 were paid to workmen for its installation, this amount have been debited to wages account.
- (c) Depreciation is to be written off at 3% on Land and Buildings, 10% on machinery and 5% on Furniture.
- (d) Provision for repairs to be credited with TZS 150,000 every year.
- (e) At 31st March 2019, Kareem had not paid the interest on the loan for the year.

6. Milambo Ltd whose head office is at Tabora supplies goods to its branch in Mwanza at invoice price which is cost plus 50%. All cash received by the branch is remitted to head office and all branch expenses are paid by head office.

Details	TZS
Balances at 1 st January, 2018:	
Branch stock (at invoice price)	600,000
Branch debtors	120,000
Petty cash	1,000
Balances at 31 st December, 2018:	
Branch stock (at invoice price)	540,000
Petty cash	1,000
Goods sent to branch by head office at invoice price	1,860,000
Goods returned by branch to head office	130,000
Sales: Cash	1,040,000
Credit	860,000
Cash received from debtors	900,000
Returns from branch debtors	12,000
Discounts allowed to debtors	24,000
Bad debts written off	40,000
Expenses (cash paid by head office):	
Rent	24,000
Salaries	240,000
Petty cash	<u>10,000</u>
	274,000

Using the information provided, prepare the Branch Stock, Branch Debtors, Branch Expenses, Branch Stock Adjustment, Mwanza Branch Accounts and Branch Income Statement in the books of the head office.

7. The summarized financial statements of Nyassani Ltd for the two years ended 31st December 2017 and 2018 are as follows:

Income Statement for the years ending 31st December 2017 and 2018

Details	2017	2018
	TZS	TZS
Sales	200,000	280,000
Cost of sales	<u>(150,000)</u>	<u>(210,000)</u>
Gross Profit	50,000	70,000
Administration expenses	(38,000)	(46,000)
Loan notes interest	(200,000)	(40,000)
Net Profit	<u>10,000</u>	<u>20,000</u>

Statement of Financial Position as at 31st December 2017 and 2018

Details	2017		2018	
	(TZS)	(TZS)	(TZS)	(TZS)
Non-current assets at cost less depreciation	-	110,000	-	140,000
Current Assets:				
Inventory	20,000	-	30,000	
Account receivables	25,000	-	28,000	
Bank	-	45,000	5,000	63,000
Total assets	-	155,000		203,000
Current Liabilities				
Accounts Payable	15,000	-	12,000	
Bank overdraft	10,000	(25,000)	-	(12,000)
Non-Current Liabilities:				
8% Loan notes	-	(25,000)	-	(50,000)
Net Assets	-	105,000	-	141,000
Ordinary shares capital	-	100,000	-	100,000
Retained profit	-	5,000	-	41,000
Total Equity		105,000		141,000

Inventory at 1st January, 2017 was TZS 50,000.

- (a) Using the information provided, calculate the following accounting ratios for the two years ended 31st December 2017 and 2018. Write your answers in two decimal places.
- Gross profit margin.
 - Inventory turnover.
 - Net profit margin.
 - Quick (Acid test) ratio.
 - Current Ratio.
 - Return on Capital Employed.
 - Interest cover.
 - Debtors collection period in number of days.
- (b) Using the result on net profit margin and return on capital employed in 7 (a) as performance indicators; compare the performance of the company between the two years ending 31st December 2017 and 2018.

8. The trial balance of Kirumba Village failed to agree on 31st March 2019. The difference was placed in a newly opened suspense account. The following errors were discovered in the books of the Village for the year ended 31st March, 2019.
- (a) A used motor vehicle purchased for TZS 150,000 on 1st January, 2019, was debited to motor vehicle maintenance account. Depreciation at 20% per annum is charged each year on the written down value of the vehicles.
 - (b) A credit sale of TZS 20,000 to Ramson was correctly recorded in the sales day book but posted to the credit of Ramson account. Kirumba Village provides for doubtful debts at 5% on debtors and creates a reserve for discounts on creditors at 2% per annum.
 - (c) Machinery was purchased on 1st October 2018 for TZS 250,000. The payment was made by the Village by cheque drawn on the Village's non business funds. No entry was made in the books of the business. Depreciation at 10% per annum is chargeable on machinery.
 - (d) A credit sale of TZS 60,000 to Ramesh was not posted from the general ledger to the personal ledger.
 - (e) Sales account was overcast by TZS 50,000.
 - (f) A credit sale of TZS 75,000 to Hawa was erroneously passed through the purchases journal.
 - (g) Cash received from Jibe TZS 125,000 was correctly entered in the cash book but posted to the personal account as TZS 12,500.
 - (h) Cash paid to Tebejo TZS 375,000 was correctly entered in the cash book but credited to the personal account as TZS 573,000.
 - (i) Discounts received of TZS 126,000 were debited to discounts allowed.
 - (j) A credit sale of TZS 275,000 was correctly entered in the sales ledger but debited to capital account as TZS 725,000.

Using the information provided, pass Journal entries to correct the errors and prepare the Suspense Account.