

**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

2009 February, 10 Tuesday p.m.

INSTRUCTIONS

1. This paper consists of **5** questions.
2. Answer **all five (5)** questions.
3. All questions carry equal marks
4. Workings must be shown clearly and submitted.
5. Marks will be awarded for cleanliness and style of presentation of answers.
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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1. The accounting cycle of a profit making organization starts with the source documents and ends with the preparation of financial statements.
 - (a) Identify **five (5)** important stages of accounting cycle.
 - (b) List and explain **five (5)** source documents.

2. Wabongo Ltd, whose financial year runs from 1st June to 31 May in the following year, maintains a combined rent and rates account in its ledger:

Rent is fixed on a calendar year basis and it is payable quarterly in advance. Rent was shs.24,000 for the year ended 31st December 2003 and shs.30,000 for the year ending 31st December 2004.

Wabongo Ltd. has made the following payments by cheque:

Date	Details	Amount shs
2003, 3 Jan.	Quarter to 31 March 2003	6,000
1 st April	" " 30 June 2003	6,000
1 st July	" " 30 Sept. 2003	6,000
1 st October	" " 31 Dec. 2003	6,000
2004, 3 rd Jan.	" " 31 March 2004	7,500
1 st April	" " 30 June 2004	7,500

Rates are assessed annually for the year from 1st April to the following 31st March and are payable in a lump sum by the 30th September. The rates assessment was shs.20,400 for the year to 31st March 2004 and shs. 22,800 for the year ending 31st March 2005.

Wabongo Ltd paid the rates for the year ended 31st March 2004 by cheque on 30th September 2003 and intends to pay the rates for the year ending 31st March 2005 on 30th September 2004.

Required: Prepare Rent and Rates Account for the year ending 31st May 2004 only as it would appear in the books of Wabongo Ltd.
(Show workings).

3. You are required to write up investment accounts of the SAFE INVESTMENT TRUST Ltd for the year to 30th June 2002, in respect of the three of the investments dealt in by the firm for the year. Transactions were as follows:

(a) 4% corporation stock

2001 July 1, purchased shs.84,000, 4% stock at 72 cum div. (Interest payable 1st February and 1st August)

August 1, received half year's interest

2002 Jan. 2, sold shs.28,000 stock at 69 ex - div.

(b) Range Ltd ordinary shares

2001 July 12, purchased 14,000 shares of shs.10 each at shs.20.

Aug. 16, received a bonus issue of three shares for every five held. Sold 4,480 of these for shs. 15 each.

2002 Feb.2, received a dividend of 15%

(c) Tan Roads Ltd ord. shares:

2001 Oct. 1, purchased 15,000 shares of 10 each at shs.7.50.

2002 Mar.1, rights issue of one share for every two held at shs.6 per share.

The rights were sold for sh.1 per share.

June 1, received a dividend of 10%

Ignore taxation matters.

4. Mr. Mwanzo Mgumu is a businessman in Mlandege area who keeps proper books of accounts. At the end of accounting period 31st December 2005. The following trial balance was extracted in his ledger accounts.

TRIAL BALANCE AS AT 31/12/2005

NAME OF ACCOUNTS	DR. SHS.	CR. SHS.
Purchases	640,000	
Salaries	60,000	
Carriage inwards	6,000	
Debtors	33,200	
Provision for bad and doubtful debts		1,200
Sales		1,260,000
Creditors		41,000
Discount received		3,000
Wages	50,000	
Discount allowed	2,000	
Bad debts	1,500	
Motor truck at cost	120,000	
Land and building	2,500,000	
Accumulated depreciation on Motor truck		58,560
Tools and Equipment, at cost	160,000	
Accumulated depreciation on Tools and Equipments		90,000
Administration expenses	50,500	
Carriage out wards	10,000	
Capital		2,300,000
Cash and bank	13,200	
Suspense account	92,360	
Stock	15,000	
	3,753,760	3,753,760
	3,753,760	3,753,760

The following additional information is relevant:

- (i) Closing stocks on 31st December 2005 was valued at shs.20,000.
- (ii) Motor truck is depreciated at the rate of 20%, using the diminishing balance method, while tools and equipment are depreciated using sum of the years' digit method. As at 31/12/2005 tools and equipment had three years old and were estimated to last for five (5) years leaving a residual value of shs.10,000
- (iii) Further bad debts of shs.1060 is to be written off.

- (iv) Investigation have revealed the following:
- (a) The administration expenses of shs.7640 was paid by issuing a cheque but the amount was not entered in the administrative expenses account.
 - (b) The debtors were debited with shs.1,4720 but the amount was not credited to the sales account.
 - (c) Upon posting the Purchases account, the purchases day book was under cast by shs.65,000
 - (d) A mistake was made in posting discount allowed, amounting shs.2,220, where the amount was credited to discount received account.
 - (e) The salaries expenses was under cast by shs.30,000
- (v) The provision for doubtful debts is estimated at 5% of debtors.

Required:

- (a) Show the suspense account after correcting the errors
- (b) Prepare trading and profit and loss account for the year ended 31st December 2005 and the Balance sheet as at that date.

5. You are given the following figures worked out from the profit and loss account and Balance sheet of Zangu Limited, a small grocery in town, for the year ended 31st December 2004:

(a) Fixed asset (Net after writing off 30%) shs.1,050,000	
(b) Fixed asset turnover ratio	2
(c) Finished Goods turnover ratio	6
(d) Rate of Gross profit to sales	25%
(e) Net profit (before Interest) to sales	16%
(f) Fixed charges cover (Debenture interest 14%)	8
(g) Debt collection period	1½ months
(h) Materials consumed to sales	30%
(i) Stock of raw materials (in terms of number of months' consumptions)	3
(j) Current ratio	2.4
(k) Quick ratio	1.0
(l) Reserves to owners equity ratio	0.21

Required

Prepare the Balance sheet using the above data and show all your calculations clearly.