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 **Friday, 05th May 2017 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).

SECTION A (60 Marks)

Answer **three (3)** questions from this section.

1. (a) Define the term accounting cycle.
   (b) Describe six chronological steps in accounting cycle.

2. (a) With examples, state six type of errors which cannot be revealed by the trial balance.
   (b) The trial balance of D. Mass, drawn up on 31st December 2014, failed to agree as the credit side exceeding the debit side by Tshs 12,500. A suspense account was opened and trading profit and loss account was prepared and revealed a net profit of Tshs 1,717,200. The following errors were later discovered.

   1 The owner has taken goods worth Tshs 7,000 each month for his personal use, but no entry was made to record this fact.
   2 A credit sale of goods Tshs 94,000 to S. Rock was recorded correctly in the sales book but as Tshs 49,000 in his personal account.
   3 The return outward book was under casted by Tshs 10,000.
   4 Goods costing Tshs 22,500 were returned by R. Stone. This was recorded in the returns inwards Book only.
   5 Motor expenses Tshs 147,500 were debited to the Motor Cars account.

   Using the information provided prepare:
   (i) Necessary journal entries to correct the errors.
   (ii) The suspense account.
   (iii) Income statement to show the adjusted net profit on 31st December 2014.

3. (a) A company depreciates its machines at the rate of 25% per annum using reducing balance method for each month of ownership. The accounting year ends on 31st December each year. The following are the transactions relating to machines for the four years.
   Machine "A" was bought on 1/1/2009 at Tsh. 252,000, machine "B" cost Tshs 168,000 was bought on 1/10/2009. On 1/7/2011 another machine "C" was bought for Tshs. 154,000. The company have decided to sale machine "A" for Tshs. 77,000 on 30/9/2012 because its working capacity has declined

   Use the data provided above to prepare:
   (i) Accumulated provision for depreciation account for the year 2009, 2010, 2011 and 2012. The amount of depreciation should be approximated to the nearest Tshs.
   (ii) Machine and machine disposal account.
   (iii) Balance sheet extracts as at the end of each year with respect to machine.

(b) A trading organization maintains a single account for rent, rates and insurance. The following information relates to the year ending 31st December, 2009.

Rates prepaid 1st January Tshs. 600

Insurance brought forward Tshs. 800

Rent owing 1st January Tshs. 400

During the year Tshs. 3,000 was paid for rates, Tsh. 2,400 was paid for rent and Tsh. 1,400 was paid for insurance.

At the close of the year 2009 analysis of the rent, rates, and insurance showed the following: Insurance prepaid for 2010 was Tshs. 500 and Rent prepaid for 2010 was Tshs. 400.

Enter the above transactions in the rent, rates and insurance in a combined account and clearly indicate the charge to be made to the income statement.

4. On 1st July, 2007, Tujenge Ltd bought Tshs. 8,000 6% Government stock at 90. The cheque for Tshs. 7,360 being Tshs. 7,200 for stock and Tshs. 160 for brokerage charges was issued. Interest is receivable each year on 30th September, 31st December, 31st March and 30th June.

On 1st August, 2008 Tshs. 2,000 nominal value of the stock is sold cum-div, the net proceeds being Tshs. 1,900.

On 1st December, 2008 Tshs. 4000 nominal value stock was sold ex-div, net proceeds after brokerage being Tshs. 3,420.

On 1st August, 2009 Tshs. 10,000 nominal value stock was bought cu-div the cost including brokerage being Tshs. 8,740.

On 1st December, 2009 Tshs. 2,000 nominal value bought ex div cost including brokerage Tshs. 1,820.

Prepare 6% Government stock investment account in Tujenge's books for the financial year ending 30th June, 2008, 2009 and 2010.

SECTION B (40 Marks)

Answer **two (2)** questions from this section.

5. The following are balances extracted from the books of accounts of Kimbwe, a sole trader as at 31st March, 2010.

Details	Tshs.
Kimbwe's capital	119,400
Kimbwe's drawings	10,550
Sundry creditor	59,630
15% loan	20,000
Cash at hand	3,030
Cash at bank	18,970
Sundry debtors (Including Badri Das for dishonoured bill of sh. 1,000)	62,000
Bills receivable	9,500
Provision for doubtful debts	2,500
Fixture and fittings	8,970
Plant and machinery	28,800
Stock on 1 April 2009	89,680
Purchases	256,590
Wages	40,970
Sales	356,430
Return inwards	2,780
Salaries	11,000
Rent and rates	5,620
Interest and discounts	5,870
Travelling expenses	1,880
Repairs and maintenances	3,370
Insurance (including premium of sh. 300 per annum paid up to 30 September, 2010)	400
Bad debts	3,620
Commission received	5,640

Additional information

(i) Stock in hand on 31st March, 2010 was Tshs. 128,960.

(ii) Write off half of Badri Das's dishonoured bill.

(iii) Create a provision of 5% on sundry debtors.

(iv) Charge 10% interest on capital.

(v) Wages include Tshs. 1,200 for erection of new machinery purchased last year.

(vi) Depreciate plant and machinery at 15% and fittings by 10% per annum.

(vii) Commission earned but not received amount to Tshs. 600 and interest of Tshs. 500 for the last two months has not been paid.

Using the information provided:

(a) Prepare income statement for the year ending 31st March, 2010.

(b) Prepare Statement of financial position as at 31st March, 2010.

6. (a) The following is the financial statements of Mr. Makuka a retailer for the year ending 31st December 2015.

Makuka's income statements for the year ended 31st December 2015

Sales			41,970
Less Returns inwards			810
			41,160
Less Cost of goods sold:			
Opening stock		5,160	
Purchases	22,860		
Less Returns outwards	570	22,290	
		27,450	
Less Closing stock		4,290	
			23,160
Gross profit			18,000
Add Discount received			930
			18,930
Less Expenses:			
Wages and salaries (8,940 + 210)		9,150	
Rent and insurance (1,740 - 180)		1,560	
Carriage outwards		2,160	
General office expenses (450 + 20)		470	
Discount allowed		1,440	
Provision for bad debts		150	
Depreciation: Furniture	120		
Delivery van	300	420	
			15,350
Net profit			3,580

Mr Makuka's Financial Position as at 31st December 2015.

Non-current assets			
Fixture and Fittings	1,200		
Less Depreciation	120	1,080	
Delivery van	2,100		
Less Depreciation	300	1,800	
			2,880
Current assets			
Stock		4,290	
Debtors	11,910		
Less Provision for bad debts	810	11,100	
Prepaid expenses		180	
Cash in hand		90	
		15,660	
Less Current liabilities			
Creditors	6,060		
Expenses owing	230		
Bank overdraft	4,350	10,640	
Working capital			5,020
			7,900
Financed by:			
Capital			
Balance at 1/1/2015			7,200
Add Net profit			3,580
			10,780
Less Drawings			2,880
			7,900

Using the details provided in Makuka's financial statements, calculate the following:

(i) Working capital ratio
(ii) Quick ratio
(iii) Rate of stock turn
(iv) Net profit to capital employed as percentage
(v) Debtors' collection period in months
(vi) Net profit as percentage of sales
(vii) Return on total assets
(viii) Expenses as percentage of sales
(ix) Creditor's collection period in days.
(x) Gross profit to sales ratio.

NB: The answer should be given in two decimal places.

(b) Calculate the gearing ratio for two companies, C Ltd and X Ltd which have already been in trading for three year and give comment to the ordinary share investors of each company.

Year 3: Items per balance sheet	C Ltd Tshs.	X Ltd Tshs.
10% debentures	10,000	100,000
10% preference shares	20,000	50,000
Ordinary shares	100,000	20,000
Reserves	70,000	30,000
	200,000	200,000

7. A firm with its Head office in Mbeya opened a new branch at Kigwe on 1st January, 2014. The branch is to maintain full accounting records separately from those in the Head Office books.

The following transactions took place during the month of January 2014.

January 1 Office opened a bank account at Kigwe by transferring Tshs. 1,000,000 from the Mbeya bank account.

5 Bought premises in Kigwe, paying by cheque drawn on the Mbeya bank Tshs. 500,000.

6 Kigwe purchased Motor Van paying by cheque Tshs. 40,000 from its own bank account.

14 Kigwe purchased goods paying by cheque Tshs. 240,000 from its own bank account.

20 Kigwe's cash sales banked immediately in its own bank account Tsh. 1,500,000.

21 Goods sent to Kigwe from Mbeya Tshs. 250,000.

25 Cheque paid to Mbeya by Kigwe as general return of funds Tshs. 1,800,000.

27 Goods returned to Mbeya by Kigwe Tshs. 100,000.

29 Net profit made by Kigwe for the month of January Tshs. 480,000.

Record the above transactions for January, 2014 in the following sets of accounts and balance off the account

(a) Head Office records:
  (i) Kigwe Branch Current Account
  (ii) Goods sent to Kigwe Branch Account
  (iii) Bank Account.

(b) Branch records:
  (i) Head Office Current Account
  (ii) Bank Account
  (iii) Premises Account
  (iv) Motor Van Account
  (v) Purchases Account.