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**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**

**Monday, 07<sup>th</sup> May 2018 p.m.**

**Instructions**

1. This paper consists of sections A and B, with a total of **seven (7)** questions.
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 and any unauthorized 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 (60 Marks)

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

1. Briefly explain the following accounting terms:

- (a) Reserve
- (b) Reserve fund
- (c) Specific reserve
- (d) General reserve
- (e) Secret reserve

2. Record the following transactions into the ledger accounts, complete the double entry system and balance off the accounts as at 31<sup>st</sup> March 2017.

|   | TZS     |
|---|---------|
| March 1 Kembe started business with capital in cash | 160,000 |
| 5 Bought goods for cash                             | 60,000  |
| 6 Sold goods to Cherehani                           | 30,000  |
| 7 Bought goods from Dasuna                          | 40,000  |
| 8 Sold goods to Shakila                             | 50,000  |
| 10 Paid cash for salary                             | 10,000  |
| 12 Received cash for commission                     | 20,000  |
| 15 Paid rent  | 15,000  |
| 25 Withdrew cash for personal use                   | 18,000  |

3. (a) A book keeper finds that his trial balance is out by excess debit of TZS 50,000. He puts the difference to a newly opened suspense account. Later on, he detects the following errors:

- (i) Goods worth TZS 1,500,000 purchased from Ravi, but entered in the sales book.
- (ii) Received a promissory note for TZS 2,500,000 from Arun, but entered in the bills payable book.
- (iii) An item of TZS 350,000 relating to prepaid rent account was omitted, has to be brought forward.
- (iv) An item of TZS 200,000 in respect of purchase returns to Roshan had been wrongly entered in the purchases account.
- (v) TZS 500,000 paid to Hari against acceptance was debited to Harish.
- (vi) A bill was received for repairs of furniture for TZS 250,000. The amount was debited to furniture account.

Using the information given, pass journal entries to rectify the errors and prepare the suspense account.

- (b) A company owns a house which is divided into three floors. The company prepares its annual accounts to 31<sup>st</sup> December. There was no rent owing or received in advance at the start of the year on 1<sup>st</sup> January, 2016. On that date, floors were let at monthly rent as follows:

|                   |                    |                   |
|-------------------|--------------------|-------------------|
| First floor (TZS) | Second floor (TZS) | Third floor (TZS) |
| 2,100,000 p m.    | 2,200,000 p m.     | 2,800,000 p m.    |

During the year to 31<sup>st</sup> December, 2016, the company received the following rental incomes:

|                   |                    |                   |
|-------------------|--------------------|-------------------|
| First floor (TZS) | Second floor (TZS) | Third floor (TZS) |
| 34,020,000        | 16,390,000         | 36,400,000        |

First floor was occupied throughout the year; second floor was occupied for the first four months and the last six months of the year. Third floor was occupied for the first month and the last ten months of the year.

The rent for the floors increased during the year as follows:

First floor, 10% from 1<sup>st</sup> April, 2016

Second floor, 20% from 1<sup>st</sup> July, 2016

Third floor, 25% from 1<sup>st</sup> September, 2016.

Using the given information, prepare Rent Receivable Account for the year ending 31<sup>st</sup> December, 2016.

4. (a) Mount Meru Contractors Ltd, started business on 1<sup>st</sup> January, 2015. Their purchases and disposals of machines over the subsequent three years were as follows:

| Machine | Date of purchase | Cost (TZS) |
|---------|------------------|------------|
| MV 1    | January 1, 2015  | 5,000,000  |
| MV 2    | April 1, 2015    | 2,500,000  |
| MV 3    | January 1, 2017  | 700,000    |

MV 2 was sold on 1<sup>st</sup> January 2017 for TZS 900,000. A provision for depreciation on all machines at the end of the year is calculated at the rate of 20% per annum on cost.

Using the information provided, write up the following accounts as they would appear in the company's books for the three years ended 31<sup>st</sup> December 2015, 2016 and 2017.

- Machine Account
- Provision for Depreciation on Machines Account
- Disposal of Machines Account.

|   |           |
|---|-----------|
| (b) The following balances appeared in the books of M. Kassam as at 31 <sup>st</sup> March, 2018: | TZS       |
|   | 2,050,000 |
| Debtors   | 100,000   |
| Provision for doubtful debts  | 30,000    |
| Bad debts   |           |

Additional information:

An additional bad debt of TZS 50,000 is to be written off and the provision for doubtful debts is to be maintained at 10% on debtors.

Using the information provided, prepare:

Journal entries, Debtors, Bad Debts, Provision for Doubtful Debts accounts, an extract of the Income Statement for the year ending 31<sup>st</sup> March, 2018 and Statement of Financial Position as at 31<sup>st</sup> March, 2018.

### SECTION B (40 Marks)

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

5. Pass journal entries for adjusting and closing entries for the following adjustments as at 31<sup>st</sup> December, 2016:
  - (i) Unpaid salaries TZS 270,000.
  - (ii) Unearned interest TZS 124,000.
  - (iii) Annual rent receivable TZS 144,000, only nine month's rent had been received.
  - (iv) Closing inventory at 31<sup>st</sup> December was valued at TZS 185,000.
  - (v) Drawings of goods for personal use not recorded TZS 126,800
  - (vi) A refund of excess rent received from a Land lord TZS 172,000.
  - (vii) Commission receivable accrued TZS 132,000.
  - (viii) Prepaid postage and telephones TZS 116,000.
  - (ix) Debtor's cheque dishonoured TZS 150,000.
  - (x) Bad debt recovered, received in cash TZS 118,000.
  - (xi) A debtor's balance TZS 223,000 not included in the debtors list.
  
6. (a) ✓ Tehama Ltd purchased TZS 40,000 15% preference shares in Dodoma Builders Ltd on 1<sup>st</sup> October 2016 for TZS 39,200. Dividend is payable twice yearly on 30<sup>th</sup> June and 31<sup>st</sup> December. The shares were sold on 31<sup>st</sup> October 2017 for TZS 39,830. When investments are bought or sold, suitable apportionments to distinguish between capital and income are made in the company's books. The financial accounting year of the company ends on 31<sup>st</sup> October annually.  
 Prepare the 15% Preference Shares Investment Account in Tehama Ltd's books to record the given transactions.

- (b) Tambo Wambugu's Trial Balance as at 30<sup>th</sup> June 2017 was as follows:

| Details                              | <u>DR</u>               | <u>CR</u>               |
|--------------------------------------|-------------------------|-------------------------|
| Capital                              |                         | 1,552,000               |
| Stock in trade 1/7/2016              | 329,600                 |                         |
| Bank balance                         | 313,600                 |                         |
| Purchases and sales                  | 3,312,000               | 4,411,200               |
| Trade debtors / trade creditors      | 580,000                 | 308,800                 |
| Motor van expenses                   | 40,800                  |                         |
| Drawings                             | 368,000                 |                         |
| Sales return / purchases returns     | 9,600                   | 8,000                   |
| Salary and wages                     | 649,600                 |                         |
| Motor van                            | 500,000                 |                         |
| Transport and communication          | 60,000                  |                         |
| Provision for doubtful debts         |                         | 20,000                  |
| Bad debts                            | 18,400                  |                         |
| General expenses                     | 89,600                  |                         |
| Discount allowed / discount received | 84,000                  | 74,400                  |
| Rent and rates                       | 19,200                  |                         |
| <b>Total</b>                         | <b><u>6,374,400</u></b> | <b><u>6,374,400</u></b> |

Addition information:

- Transport and communication accrued TZS 12,000.
  - Salaries and wages accrued TZS 65,600.
  - Rent and rates paid in advance TZS 3,200.
  - Depreciation on motor van to be made at the rate of 10% per annum.
  - Maintain the provision for doubtful debts at TZS 24,000.
  - Stock at 30<sup>th</sup> June 2017 was valued at TZS 403,200.
- Prepare Tambo Wambugu's Income Statement for the year ended 30<sup>th</sup> June 2017.

7. Simba PLC Income Statement for the year ended 31<sup>st</sup> December 2016 and 2017

| Details                      | 2016 (TZS)      | 2017 (TZS)      |
|------------------------------|-----------------|-----------------|
| Sales                        | 101,600         | 118,400         |
| Cost of sales                | <u>(50,080)</u> | <u>(57,600)</u> |
| Gross profit                 | <u>51,520</u>   | <u>60,800</u>   |
| Less expenses                | <u>41,920</u>   | <u>47,680</u>   |
| Net profit                   | 9,600           | 13,120          |
| Less Corporation Tax         | <u>4,800</u>    | <u>6,400</u>    |
| Profit after Tax             | 4,800           | 6,720           |
| Less proposed dividend       | <u>1,280</u>    | <u>3,200</u>    |
| Retained profit for the year | <u>3,520</u>    | <u>3,520</u>    |

Note:

- The only interest paid was on CRDB loan.
- Only 10% of sales were made on cash.

Simba PLC Statement of Financial Position as at 31<sup>st</sup> December 2016 and 2017

| Details  | 2016          |               | 2017         |               |
|--|---------------|---------------|--------------|---------------|
|  | TZS           | TZS           | TZS          | TZS           |
| <b>Non-Current Assets</b>                            |               |               |              |               |
| Plant and Machinery                                  |               | 4,800         |              | 16,800        |
| Freehold property                                    | 19,200        |               | 24,000       |               |
| Less accumulated depreciation                        | <u>4,480</u>  |               | <u>5,600</u> |               |
|  |               | 14,720        |              | 18,400        |
| Motor vehicles                                       | 5,600         |               | 5,600        |               |
| Less accumulated depreciation                        | <u>2,720</u>  |               | <u>3,200</u> |               |
|  |               | <u>2,880</u>  |              | <u>2,400</u>  |
|  |               | 22,400        |              | 37,600        |
| <b>Current Assets</b>                                |               |               |              |               |
| Stock  | 7,200         |               | 13,120       |               |
| Debtors  | 10,400        |               | 15,040       |               |
| Bank   | <u>10,880</u> |               | <u>1,920</u> |               |
|  |               | <u>28,480</u> |              | <u>30,080</u> |
|  |               | <u>50,880</u> |              | <u>67,680</u> |
| <b>Share Capital</b>                                 |               |               |              |               |
| Issued and fully paid ordinary shares of TZS 10 each |               | 12,000        |              | 16,000        |
| Share premium  |               |               |              | 1,600         |
| Retained earnings                                    |               | <u>22,400</u> |              | <u>25,920</u> |
| Shareholders' funds                                  |               | 34,400        |              | 43,520        |
| <b>Non-Current Liabilities</b>                       |               |               |              |               |
| 12% CRDB Loan  |               | 9,600         |              | 9,600         |
| <b>Current liabilities</b>                           |               |               |              |               |
| Creditors  | 5,600         |               | 11,360       |               |
| Proposed dividends                                   | <u>1,280</u>  |               | <u>3,200</u> |               |
|  |               | <u>6,880</u>  |              | <u>14,560</u> |
|  |               | <u>50,880</u> |              | <u>67,680</u> |

Additional information:

(i) At the end of December 2017 the quoted price of ordinary shares of Simba PLC was TZS 32 each.

(ii) Number of days in a year should be 365.

From the given financial statements of Simba PLC, calculate the following accounting ratios for the two years ended 31<sup>st</sup> December 2016 and 2017:

- Acid test ratio.
- Current ratio.
- Gross margin ratio.
- Net profit ratio.
- Total assets turnover.
- Return on total assets.
- Rate of stock turnover.
- Average debtors collection period.

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