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 | Tuesday, 07th May 2019 a.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) Going Concern Concept
   - (b) Dual - Aspect Concept
   - (c) Money Measurement Concept
   - (d) Cost Concept
   - (e) Business Entity Concept

2. (a) Makinikia Ltd reported a provisional profit of TZS 220,000,000 for the year ended 31st December 2017. In a later audit, the following errors were discovered:

   (i) Commission received TZS 4,000,000 had been debited in Commission received as TZS 400,000.

   (ii) An invoice of TZS 7,600,000 received from Segerea Community Ltd was not entered in the purchases account.

   (iii) Sales were overcast by TZS 1,400,000.

   (iv) Bad debts of TZS 900,000 which had been written off in the previous years was received but has not been recorded in the books.

   (v) Repairs to equipment TZS 7,000,000 cash, was entered in equipment account.

   (vi) Capital account credit balance of TZS 50,000,000 had not been brought forward from previous accounting period.

   Using the information provided, prepare Journal entries to correct the errors (narrations are not required) and a statement of corrected net profit.

   (b) The trading inventory of Namtumbo Traders, a retailer, has been reduced during the year ending 31st March 2016 by TZS 6,000,000 from the commencing figure of TZS 21,000,000. The following information is also available:

   (i) A number of financial ratios and related statistics have been compiled relating to the business of Namtumbo Traders for the year ending 31st March 2016 as shown in the following table:

Net profit as % of net capital employed	15%
Net profit / Sales	9%
Sales / Net capital employed	$166\frac{2}{3}\%$
Non-current assets / Sales	45%
Current ratio (Current assets / Current liabilities)	4.0: 1
Acid test ratio (Bank + Accounts receivable) / Current liabilities	2.75: 1
Gross profit / Sales	25%
Debtors collection period (Accounts receivable × 365 days) / Sales)	36.5 days
Inventory turnover (based on average inventory for the year)	10 times

(ii) Namtumbo Traders has supplied all the capital for her business and had no drawings from the business during the year ending 31st March 2016. Her sundry expenses for the year amounted to TZS 38,400,000.

Using the financial ratios and other information provided, prepare Namtumbo Traders' Income Statement for the year ended 31st March 2016 and a Statement of Financial Position as at that date.

3. The following Trial Balance was extracted from the books of Kibo Stores as at 31st December 2017:

NAME OF ACCOUNT	DR TZS(000)	CR TZS (000)
Capital		20,000
Loan from Uncle		2,000
Drawings	1,750	
Freehold premises	8,000	
Furniture and Fittings	500	
Plant and Machinery	5,500	
Stock at 1st January 2017	8,000	
Cash at bank	650	
Provision for doubtful debts		740
Purchases	86,046	
Sales		124,450
Bad debts	256	
Bad debts recovered		45
Trade debtors	20,280	
Trade creditors		10,056
Bank charges	120	
Rent	2,000	
Return inwards	186	
Return outwards		135
Salaries	3,500	
Wages	8,250	
Travelling expenses	1,040	
Carriage inwards	156	
Discounts allowed	48	
Discounts received		138
General expenses	2,056	
Gas, electricity and water	2,560	
Carriage outwards	546	
Traveler's salaries and commission	5,480	
Printing and stationery	640	
Total	157,564	157,564

Additional information:

(a) Stock at 31st December, 2017 was valued at TZS. 7,550,000.

(b) Interest on the loan at 5% per annum had not been paid at 31st December, 2017.

(c) Rent includes TZS 250,000 for premises paid in advance to 31st March 2018.

(d) Depreciate Plant and Machinery by 10% per annum, Furniture and Fitting 5% per annum and adjust the provision for doubtful debts to 5% of trade debtors.

Prepare Kibo Stores' Income Statement for the year ending 31st December, 2017 and a Statement of Financial Position as at that date.

4. (a) Miwale Finance Investment Ltd held TZS 100,000,000 12% Treasury bills, appearing in the books at TZS 95,000,000 on 1st April 2016. Interest is receivable half yearly on 30th June and 31st December.

On 31st August 2016, the Company purchased a further TZS 40,000,000 Treasury bills at 96 cum- interest. On 31st October 2016, TZS 30,000,000 of the bills were sold at 94 Ex-interest. On 28th February, 2017 TZS 20,000,000 of the bills were sold at 96 Cum-interest.

Prepare the 12% Treasury Bills Investment Account as it would appear in the books of Miwale Finance Investment Ltd for the year ended 31st March 2017.

(b) Zawadi prepares her financial statements annually on 31st December and maintains a register for office equipment at cost. She provides for full year depreciation on non-current assets which are in use at the end of the year and none in the year of disposal.

At 31st December 2014, the balance on office equipment account was TZS 1,800,000 and the balance on the provision for depreciation on office equipment account was TZS 700,000. Depreciation was provided on the reducing balance method at 20% per annum.

Early in 2017, an item of office equipment which had cost TZS 200,000 on 1st March 2015 was sold for TZS 140,000.

At the end of 2017, it was decided that, for that year and all subsequent years, the straight line method should be used to calculate depreciation.

Prepare the Office Equipment Provision for Depreciation on Office Equipment and Office Equipment Disposal Accounts, to record the given transactions for the three years ended 31st December 2015, 2016 and 2017.

SECTION B (40 Marks)

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

5. New Venture Ltd has two branches at Kilwa and Liwale. During the year ended 31st March 2017, goods have been invoiced to Kilwa branch at 20% above cost and to Liwale branch at 25% above cost. The branches do not maintain complete books of account. The following figures were available for the year ended 31st March 2016.

Particulars	Kilwa (TZS)	Liwale (TZS)
Opening stock at invoice price	100,000	100,000
Goods sent to branch at cost	500,000	400,000
Amount remitted by branch	800,000	800,000
Amount remitted by head office	150,000	150,000
Goods returned by branch at invoice price	30,000	
Cash as on 1st April 2016	20,000	10,000
Cash as on 31st March 2017	10,000	10,000
Goods returned by customers at branch selling price	50,000	40,000
Expenses at branch in cash	90,000	30,000

All sales at the branches are for cash. During the year, Kilwa branch purchased non-current assets worth TZS 40,000 and this amount is included in the figure for branch expenses. Kilwa branch transferred to Liwale branch stock costing TZS 50,000 during the year.

Liwale branch remitted TZS 20,000 to Kilwa branch during the year. There was closing stock of TZS 240,000 valued at invoice price at Kilwa branch and no closing stock was available at Liwale branch. The branch stock adjustment accounts in the head office books showed the following position as on 1st April 2016:

Kilwa branch, TZS 25,000 (CR)

Liwale branch, TZS 20,000 (CR)

Prepare the following accounts in the head office books for each of the two branches for the year ended 31st March 2017:

(a) Branch Stock

(b) Branch Stock Adjustment

(c) Goods sent to Branch

(d) Branch Profit and Loss

6. (a) A business maintains a provision for doubtful debts equal to 3% of its accounts receivable and a provision for discounts allowable of 2.5%. On 1st January 2017, the value of accounts receivable was TZS 25,000,000. During 2017:

(i) Steven who owed the business TZS 1,200,000, declared bankrupt and a settlement of 25% was received from him, the balance being treated as bad debt. Other bad debts written off during the year amounted to TZS 2,300,000.

(ii) On 31st December 2017, total accounts receivable amounted to TZS 24,300,000 and was to be adjusted as follows:

- Included in the above figure is a debt of TZS 600,000, this amount is to be written off.
- A cheque for TZS 200,000 from a debtor was returned from the bank unpaid.

Show the entries in the Accounts Receivable, Provision for Doubtful Debts, Provision for Discounts on Debtors and the Bad Debts Accounts for the year ended 31st December 2017.

(b) The following accounts appeared in the books of Mr. Mapambano, showing a balance brought down on 1st January 2016 as:

(i) Insurance paid in advance TZS 164,000
(ii) Wages outstanding TZS 156,000
(iii) Un earned rent TZS 80,000

During the year 2016, Mr. Mapambano paid for insurance TZS 350,000 by cheque, wages TZS 600,000 in cash and received TZS 1,200,000 rent by cheque, from a tenant.

At 31st December 2016, the following balances were shown on the accounts:

(i) Prepayment of TZS 30,000 on insurance.
(ii) An accrual of TZS 105,000 on wages.
(iii) Arrears of TZS 77,000 on rent receivable.

Prepare the Insurance, Wages, Rent Receivable Accounts, an extract of the Income Statement for the year ended 31st December 2016 and an extract of the Statement of Financial Position at 31st December, 2016.

7. Study the following financial statements for two similar private companies, then answer the items that follows:

Income Statement for the year ended 31st March 2017

Details	Company A		Company B	
	TZS	TZS	TZS	TZS
Sales		1,800,000		2,700,000
Cost of Sales				
Opening Stock	300,000		280,000	
Purchases	1,300,000		2,250,000	
Cost of goods available for sale	1,600,000		2,530,000	
Closing stock	(200,000)	(1,400,000)	(240,000)	(2,290,000)
Gross profit		400,000		410,000
Depreciation	22,000		40,000	
Other expenses	318,000	(340,000)	280,000	(320,000)
Net profit		60,000		90,000

Statement of Financial Position as at 31st March 2017

Details	Company A		Company B	
	TZS	TZS	TZS	TZS
Non-current assets				
Building at cost	300,000		440,000	
Depreciation	(255,000)	45,000	(220,000)	220,000
Equipment at cost	140,000		180,000	
Depreciation	(119,000)	21,00	(90,000)	90,000
Total non-current assets		66,000		310,000

Current assets				
Stock	200,000		240,000	
Debtors	205,000		140,000	
Bank	4,000	409,000	2,000	382,000
Total assets		475,000		692,000
Capital and Liabilities				
Opening capital		240,000		430,000
Profit and loss		60,000		90,000
Drawings		(70,000)		(80,000)
		230,000		440,000
Current liabilities				
Creditors		245,000		252,000
Total capital and liabilities		475,000		692,000

Calculate the following ratios for each Company:

(i) Gross profit as percentage of sales.

(ii) Net profit as percentage of sales.

(iii) Expenses as percentage of sales.

(iv) Stock turnover.

(v) Rate of return of net profit on capital employed.

(vi) Current ratio.

(vii) Acid test ratio.

(viii) Debtors: sales ratio (in months).

(ix) Creditors: Purchases ratio (in months).