

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

**153/2**

**ACCOUNTANCY 2**  
*(For Both School and Private Candidates)*

*Time: 3 Hours*

*2009 February, 12 Thursday, a.m.*

---

**INSTRUCTIONS**

1. This paper consists of **5** questions.
2. Answer **all** questions.
3. All questions carry equal marks.
4. Workings must be shown clearly.
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).

This paper consists of 4 printed pages

1. (a) What is internal control?  
 (b) Explain the Auditor's working paper.  
 (c) State **three (3)** advantages and **three (3)** disadvantages of audit programmes.
  
2. A new firm ABC & Co. sells goods in crates on which a deposit is chargeable to the container, a credit being allowed on their return within three months. The following information was available during the year ended 31<sup>st</sup> December, 2005:
  - (i) 500 crates were bought for shs. 30 each.
  - (ii) 1800 crates were sent to customers, these being charged to their accounts at shs. 40 deposit each.  
 (Note: The figure 1800 consists of recounting the same crates, as they are sent out and returned several times a year)
  - (iii) 1500 crates were returned by customers, credits being entered in their account for shs. 40 each.
  - (iv) 100 crates were kept by customers beyond the three months limit, and therefore forfeited their right to return them to obtain a refund of the deposit.
  - (v) 20 crates were destroyed and were sold at shs. 10 each.
 On 31<sup>st</sup> December, 2005 the following facts were relevant:
  - (vi) There were 200 returnable crates with customers.
  - (vii) There were 180 crates at ABC & Co's warehouse.
 The stock of crates at 31<sup>st</sup> December 2005 was valued at sh. 20 each to provide for depreciation through usage.

**Required:**

Prepare the:

- (a) containers account.
  - (b) containers suspense account.
- 
3. The Kwimage Company employed six employees during the past year. The following information is for the pay period ending 31<sup>st</sup> December.

Employee Name	Total earnings in Tshs
Quid, B	280,000
Teteto, N.	110,000
Kishe, J	150,000
Macho, P	410,000
Ezekiel, S	179,000
Muna, W	86,000

The PAYE tax rate is 15 % of the total earnings less 15 % housing allowance. The NSSF rate is 10 % of the total earnings for both the employer and the employee. The employer has to pay the following taxes: VAT 2 % and payroll levy 4 %, both on total earnings.

**Required:**

Determine the amounts for:

- (a) PAYE payable.
- (b) NSSF expense.
- (c) VAT payable.
- (d) Payroll levy payable.
- (e) NSSF payable.
- (f) Total deductions.
- (g) Net pay.

4. On 30<sup>th</sup> September 2003, Imani, who prepares final accounts annually to 30<sup>th</sup> September, bought machinery on hire purchase from Machine Tools Ltd. The cash price of the machine was shs. 622,362 under the terms of the hire purchase agreement. Imani paid a deposit of shs. 200,000 on 30<sup>th</sup> September 2003 and two instalments of shs. 242,198 on 30<sup>th</sup> September 2004 and 2005. The hire vendor charged interest at 10 % per annum on the balance outstanding on 1<sup>st</sup> October each year. All payments were made on the due dates.

Imani maintained the machinery account at cost and provision for depreciation at a rate of 25 % on the diminishing balance method in a separate account.

**Required:**

- (a) Prepare the following accounts, as they would appear in the ledger of Imani for the period of the contract:
  - (i) Machine Tools Ltd.
  - (ii) Machinery on hire.
  - (iii) Provision for depreciation of machinery.
  - (iv) Hire purchase interest payable.

- (b) Show how the above matters would appear in the balance sheet of Imani at 30<sup>th</sup> September 2004.  
Hint: Machine Tools Ltd. prepares final accounts annually to 30<sup>th</sup> September, on which date it charges Imani with the interest due. Make calculations to the nearest shilling.

5. The following information relates to Kahama Mining Co. Ltd:

- (i) On 1<sup>st</sup> April 2001, the company had shs. 100,000 10 % debentures in issue. The interest of these debentures is paid on 30<sup>th</sup> September and 31<sup>st</sup> March.
- (ii) The debenture redemption fund balance (relating to the redemption of these debentures) at 1<sup>st</sup> April 2001 was shs. 20,000. This fund was being built up by annual appropriations of shs. 2,000. The annual appropriation (along with any dividends or interest on the investment) is invested on 31 March.
- (iii) Debenture redemption fund investment can be realised at any time in order to purchase debentures in the open market either at or below par value. Such debentures are then cancelled.
- (iv) On 31 December 2001, shs. 10,000 of investment were sold for shs. 11,400 and the proceeds were used to purchase debentures with a par value of shs. 12,000.
- (v) Dividends and interest on redemption fund investment during the year to 31 March 2002 amounted to shs. 1,500.
- (vi) The cost of dealing with the above matters and any taxation effects may be ignored.

### Required

Write up the following ledger accounts for the year to 31 March 2002.

- (a) 10 % debentures.
- (b) Debenture redemption fund
- (c) Debenture redemption fund investment.
- (d) Debenture redemption.
- (e) Debenture interest.