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

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.
- Answer all questions.
- All questions carry equal marks.
- Workings must be shown clearly.
- Marks will be awarded for cleanliness and style of presentation of answers.
- Cellular phones are not allowed in the examination room.
- Write your Examination Number on every page of your answer booklet(s).

This paper consists of 4 printed pages

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- (a) What is internal control?
 - (b) Explain the Auditor's working paper.
 - (c) State three (3) advantages and three (3) disadvantages of audit programmes.
- 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^{eff} December, 2005:
 - 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" December, 3005 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 31st December 2005 was valued at sh. 20 each to provide for depreciation through usage.

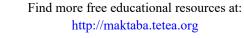
Required:

Prepare the:

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

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Employee Name	Total carnings in Tshs
Quid. B	280,000
Leteto, N.	116,000
Kishe, J	150,000
Macho, P	410,000
Ezekiel, S	179,000
Muna, W.	86,000



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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 30th September 2003. Intani, who prepares final accounts annually to 30th. September, bought machinery on hire purchase from Machine Tools Ltd. The cash price of the machine was shs, 622,362 unler the terms of the hire purchase agreement. Intani paid a deposit of shs. 2/1,000 on 30th September 2003 and two instalments of shs. 242,198 on 30th September 2004 and 2005. The hire vendor charged interest at 10th/₂ per annum on the calance outstanding on 1th 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 lire.
 - (iii) Provision for depreciation of machinery.
 - (iv) Hire purchase interest payable.

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- (b) Show how the above matters would appear in the balance sheet of Imani at 30th September 2004 Hint: Machine Tools Ltd. prepares final accounts annually to 30th September, on which date it charges Imani with the interest due. Make calculations to the incarest shilling.
- 5. The following information relates to Kahama Mining Co. Ltd:
 - (i) On 1^o April 2001, the company had sis 100.000 10 % debentures in issue. The interest of these debentures is pair on 30th September and 31^o March.
 (ii) The debenture of these
 - (ii) The debenture redemption fund balan e (relating to the redemption of these debentures) at 1st April 2001 was sha 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 investmot on be realised at any time in order to purchase debentures in the open maket either at or below par value. Such debentures are then cancelled.
 - (iv) On 31 December 2001, shs. 10,000 finvestment were sold for shs. 11,400 and the proceeds were used to pur tase debentures with a par value of shs. 12,000.
 - (v) Dividends and interest on redempso fund investment during the year to 31 Morch 2002 amounted to shs. 1,69.
 - (vi) The cost of dealing with the abox matters and any taxation effects may be ignored

Required

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

- (a) 10 % debeniures.
- (b) Debenture redemption fund
- (c) Debenture redemption fund/vestment.
- (d) Debenture redemption.
- (e) Debenture interest.

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