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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 **Tuesday, 14th February 2012 a.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).

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SECTION A (60 marks)

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

1. Briefly explain the following accounting terms.
   (a) Auditing
   (b) Internal Control
   (c) Audit report
   (d) Internal check
   (e) Audit Note Book.

2. Baraka, Hussein and Obama were in partnership sharing profits and losses in the ratio of 5:3:2 respectively. A summary of the firm's balance sheet as on 30th September, 2008 was as follows:-

BALANCE SHEET AS ON 30TH SEPTEMBER 2008

		Sh.			Sh.
Capitals:			**Non-Current Assets:**		
Baraka	900,000		Freehold Land and Buildings		600,000
Husein	420,000		Plant and Machinery		240,000
Obama	300,000	1,620,000	Motor vehicles		96,000
Current Liabilities:			**Current Assets:**		
Baraka Loan a/c		180,000	Stock on hand		408,000
Sundry creditors		300,000	Sundry debtors	438,000	
			Less: Prov. for d/debts	24,000	414,000
			Cash at bank		342,000
		2,100,000			2,100,000

On 30th September, 2008, Baraka retired from the firm. Hussein and Obama decided to continue in partnership sharing profits and losses as to Hussein three fifths and Obama two fifths. The partners agreed that, both as regards the dissolution and the continuing partnership, adjustments should be made in the September, 2008 balance sheet as follows:-

(a) The value of freehold land and building should be put at sh. 750,000, plant and machinery at sh. 216,000.
(b) A reduction of sh. 30,000 should be made from the stock in respect to old and unsaleable items.
(c) An increase of sh. 7,200 should be made in the provision for doubtful debts.
(d) An amount of sh. 18,000 included in sundry creditors as a provision in respect to an alleged infringement of a patent is no longer needed.

It was also agreed that one of the firm's motor vehicles should be taken by Baraka at its book value of sh. 39,000 and that he should also take items of machinery and plant at the amount of sh. 66,000 in the above mentioned adjusted valuation for such items.

According to the provisions of the partnership agreement, the full value of goodwill on 30th September, 2008 was agreed at sh. 1,128,000. Certain customers being retained by Baraka, it was agreed that he should purchase a proportion of the goodwill paying there for sh. 288,000.

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Hussein and Obama decided that goodwill should not be brought into the books of the new firm as an asset. Since the continuing partners were unable to pay the amount to Baraka immediately, he agreed to allow such amount to remain on loan account.

You are required toprepare:
(i) Revaluation account.
(ii) The partner's capital accounts in columnar form.
(iii) The opening balance sheet of the new firm.

3. Wazalendo Company Ltd offered 25000 ordinary shares of sh. 0.5 each for public subscriptions as follows:

   Sh. 0.10 on application
   Sh. 0.25 on allotment to include share premium
   Sh. 0.15 on first call and
   Sh. 0.15 on second and final call.

   Applications were received for 35000 shares. The directors rejected 5000 applications outright and issued five shares for every six applied for, by the remaining applicants. The surplus applications money received from rejected applicants was immediately refunded and the portion received from other applicants was transferred to an allotment money account. All shareholders duly paid the allotment fee and first call but one of them who held 400 shares failed to pay the second call. His shares were declared forfeited and were re-issued at sh. 0.25 each.

   You are required to prepare:
   (a) Journal entries to record above transactions.
   (b) Ordinary share capital account.

4. Serengeti Ltd delivers goods to customers in Plastic cases. The customer is charged with the case at sh. 300 and credited on the return at sh. 220. On 1st January, 2002 there were 1200 cases in the warehouse and 500 cases in the hands of customers. During the year ended 31st December, 2002 the following transactions took place:

   1800 cases purchased at sh. 250 each.
   4350 cases charged out to customers.
   3880 cases returned by the customers.
   Wages paid for repairing sh. 1440. Thirty (30) cases were lost and 460 were destroyed and sold for scrap sh.160. On 31st December, 2002, 920 cases for which the return period had not expired were in the hands of customers. All stocks are to be valued at sh. 200 each.

   You are required to prepare:
   (a) Cases stock account.
   (b) Cases suspense account.
   (c) Cases profit and loss account.

3502
1510

CR → 300
RR - 220
PR - 250
VR - 200

x warehouse - D 1200
x Customer h → D 500
x Purch - D 1800
x Return → B 3880
x Sent → D 4350
x Repair - D 1440
lost → 30
dest - 460
scrap - 160 h.
Custom → 920

360,000
964,000

1078000
952,160

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SECTION B (40 marks)

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

5. Mlimani City runs a retail business, selling computers on both cash and hire purchase terms. She buys them at sh.18 each and sells for sh. 25 on cash terms and for sh. 27 on hire purchase terms. The following trial balance was taken from her book an 30th June, 2005.

	Dr. Sh.	Cr. Sh.
Capital 1st July, 2004		90,000
Stock in hand 1st July, 2004	14,130	
Hire purchase debtors	11,772	
Provision for unrealized profit hire purchase debtors		3,924
Purchases	152,550	
Cash sales		99,738
Hire purchase instalments received		121,554
General expenses	33,102	
Fixed assets, net of depreciation	87,300	
Creditors		44,784
Bank	28,026	
Drawings	15,120	
Other debtors	18,000	
	360,000	360,000

Stock in hand on 30th June, 2005 was sh. 12,960. On the same date hire purchase debtors amounted to sh. 14,040/-. Ten percent (10%) depreciation is to be provided on the book value of fixed assets.

You are required to prepare:

(a) Memorandum hire purchase debtors' account.

(b) Mlimani City trading, profit and loss account, showing interest income from hire purchase transactions separately.

(c) Mlimani City balance sheet as on 30th June, 2005.

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6. The balance sheet of Veteran Ltd as at 31st December, 2005 is as follows:

Share Capital Issued and Paid			**Non-Current Assets:**		
50,000 shares redeemable.			Land and buildings		100,000
Preference shares		50,000	Plant		25,000
90,0000 @ 1/- ordinary		90,000	Fixture and Fittings		5,000
Share premium		10,000	Motor van		2,000
General Reserve	20,000				
Profit and loss a/c	25,000		**Current Assets:**		
Current liability		45,000	Stock	33,000	
		30,000	Debtors	12,000	
			Investment	30,000	
			Bank	18,000	93,000
		225,000			225,000

The company exercised its option to redeem all the preference shares at a premium of 5% January, 2006. To finance the redemption all the investment were sold realizing sh. 28,000. A fresh issue of 10,000 ordinary shares of sh. 1/- cash was made at sh. 1/20 per share payable in full on 1st January, 2006. Shares were duly subscribed for and the full amount was received on that date. Total issued capital is to be maintained.

You are required to record the above transactions in the books of account and bring the balance sheet of the company as it would then appear.

7. Contract between Cheka and M/S Uyaone and Company to use the professional registered name was as follows:

Year	Number of Client	
2002	420	420x 100 = 42000
2003	310	31000
2004	560	56000
2005	280	28000
2006	440	4400
2007	450	45000
2008	780	78000

Terms or conditions of the contract:

- Rent payable per client sh. 100
- Minimum rent per annum sh. 40,000
- Any payments for short working are recoverable only in the two years following that in which they occurred.

You are required to record the necessary accounts in the books of Cheka.

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