

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

153/2

ACCOUNTANCY 2
(For Both School and Private Candidates)

Time: 3 Hours

Year: 2020

Instructions

1. This paper consists of sections A and B with a total of **eight (8)** questions.
2. Answer **all** questions in section A and **three (3)** questions from section B.
3. Section A carries **forty (40)** marks and Section B carries **sixty (60)** marks.
4. Non programmable calculators may be used.
5. Cellular phones and any unauthorised materials are **not** allowed in the examination room.
6. Write your **Examination Number** on every page of your answer booklet(s).

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SECTION A (40 Marks)

Answer **all** questions in this section. Each question carries **ten (10)** marks.

- Briefly explain the following accounting terms:
 - Auditing
 - Audit working papers
 - Audit programme
 - Internal audit
- Briefly explain four devices which are used to input data into a computer.
- TDI Ltd deals with motor vehicles business. It sells motor vehicles for cash and hire purchase basis. On 1st January 2019, TDI Ltd sold two motor vehicles on hire purchase basis to Tanganyika Packers Ltd for TZS 7,000,000; the cash price of these vehicles was TZS 5,800,000. The vehicles cost TZS 2,800,000 each. The payments were to be made by Tanganyika packers Ltd making cash deposit of TZS 500,000 per vehicle and 24 monthly installments of TZS 250,000 each. The company recognizes profit on hire purchase sales in the year of sale but hire purchase interest is apportioned on time basis. The financial year of TDI Ltd ends on 31st December annually.

Use the information to prepare:

- Sales, Tanganyika Packers Ltd and Hire Purchase Interest Suspense Accounts.
 - Hire Purchase Income Statement of the year ended 31st December 2019.
- Rukwa Ltd dispatches its products to customers in wooden cases. The cases are purchased from the manufacturers for TZS 15 each but are valued for stock purposes at TZS 10 each. Customers are charged a deposit of TZS 25 per case, TZS 20 of which is refunded when the case is returned in good condition within three months of delivery.

At the beginning of the year 2019, Rukwa Ltd held 1,750 cases in its premises, while 1,460 cases were in the hands of customers. The corresponding number of cases in the warehouse and in the hands of customers at the end of the year was 3,021 and 1,983 respectively. During the year 2019, the company purchased 2,000 new cases; 5,663 cases were sent to customers and 5,104 cases were returned by customers. 170 cases were scrapped and 36 others were retained by customers. The company incurred TZS 2,570 in repairing slightly damaged cases.

Using the information provided, prepare the Cases Stock Account and Cases Suspense Account for the year 2019.

SECTION B (60 Marks)

Answer **three (3)** questions from this section. Each question carries **twenty (20)** marks.

5. Mikese Extractors Ltd acquired the right to remove gravel deposits from land owned by Civil Estates Ltd. The agreement contained the following provisions:
- (a) Mikese Extractors Ltd to pay a royalty of TZS 400 per tonne of gravel removed.
 - (b) Mikese Extractors Ltd to pay a minimum of TZS 2,000,000 per annum.
 - (c) Mikese Extractors Ltd to recover short workings at the end of the third year following their occurrence.

During the first five years of the contract the following quantities of gravel were removed from the land:

Year		Tonnes
2015	4,000	
2016	4,800	
2017	5,400	
2018	5,600	
2019	6,000	

Use the information provided to prepare the Royalties Payable Account, Civil Estates Ltd Account and Royalties Short Workings Account for the five years ended 31st December 2015, 2016, 2017, 2018 and 2019.

6. The following balances were extracted from the books of Uchumi Ltd as at 30th June, 2019.

Details	TZS	TZS
Machinery	55,000	
Stock 1 st July 2018	23,500	
Trade debtors and creditors	37,200	48,400
Office furniture	33,600	
Purchases and sales	146,800	32,500
Insurance	41,900	
Taxes and fees	12,600	
Advertising	17,200	
Interest received		7,300
Directors remuneration	26,800	
Cash and bank	149,500	
Interest on debentures	3,300	
Bad debts	2,500	
Provision for doubtful debts		1,800
Profit		3,700
Carriage	5,000	
Interim dividends	3,800	
Share Capital: 1,000 Ordinary shares of TZS 50 @		50,000
1,000 Preference shares of TZS 50 @		50,000
Share Premium		35,000
Debentures		30,000
	<u>55,700</u>	<u>558,700</u>

Additional information:

- Stock at 30th June, 2019 amounted to TZS 44,600.
- Raise the provision for doubtful debts by TZS 500.
- % of carriage relates to purchases.
- The directors proposed dividends of 10% on ordinary shares, 15% on preference shares and a transfer of TZS 3,000 to general reserve.

Using the information provided, prepare Uchumi Ltd's Income Statement and Profit and Loss Appropriation Account for the year ended 30th June 2019 and the Statement of Financial Position as at 30th June, 2019.

7. China and Busweru are partners under the firm name CB Enterprises sharing profits and losses in the ratio of 2:3. Muya and Yuda are partners under the firm name MY Traders sharing profits and losses equally. Their Balance sheets as on 30th June 2019 were as follows:

Balance Sheets as at 30th June 2019

Liabilities	CB	MY	Assets	CB	MY
	TZS	TZS		TZS	TZS
Capitals:			Goodwill	50,000	50,000
China	300,000	-	Machinery	240,000	-
Busweru	400,000	-	Furniture	100,000	10,000
Muya	-	240,000	Stock	200,000	240,000
Yuda	-	220,000	Debtors	90,000	200,000
Reserves	100,000		Bank	70,000	8,000
Loan	30,000	20,000	Cash	100,000	12,000
Creditors	20,000	40,000			
	<u>850,000</u>	<u>520,000</u>		<u>850,000</u>	<u>520,000</u>

The two firms decided to amalgamate and form a new firm namely M/S CB & MY Traders. The terms of amalgamation were as follows:

- The new firm was to take over all the assets and liabilities of both firms with the exception of the loan of CB Enterprises, which was to be paid by that firm out of its bank balance.
- A provision for doubtful debts to be created on debtors at 5%.
- Goodwill of both firms was to be valued at one year's purchase of the average profits of the last four years which were as follows:

Details	CB	MY
	TZS	TZS
Year ended June 2018	80,000	60,000
Year ended June 2017	70,000	70,000
Year ended June 2016	90,000	50,000
Year ended June 2015	84,000	70,000

- Machinery of CB Enterprises was overvalued by TZS 40,000 and Furniture of both firms was over depreciated by TZS 2,000 each.

Using the information provided, prepare:

- the Revaluation Accounts of CB Enterprises and MY Traders on 30th June 2019.
- the partners' Capital Accounts in the new firm and the Statement of Financial Position of M/S CB & MY Traders as at 1st July 2019.

8. Kiota Jungle Ltd has three employees in its payroll for the month of October 2019. Its employees are Mariam, Simon and Tupone. The contracts of their employment are as follows:
- Mariam, a saleswoman at the counter, is paid a basic salary of TZS 200,000 per month with extra commission of 1% on the value of her beverage sales. In the month of October 2019, she made sales of TZS 9,000,000.
 - Simon, a messenger is paid a basic salary at a rate of TZS 3,500 per hour. He works for two hours and thirty minutes every day and there are 22 basic working days per month. He is also entitled to a bonus of TZS 25,000 per month.
 - Tupone, a cleaner has 176 basic working hours per month; she is paid at a rate of TZS 1,000 per hour. For hours worked in excess of the basic hours she is paid one and a half times the rate of basic pay. During the month of October 2019, she worked for 186 hours.

The following information is also available:

- In response to a country wide effort to obtain charitable contributions to “Women against violence”, Mariam requested her employer to deduct 10% of her basic salary in October, 2019.
- All employees are entitled to a meal allowance of 10% of their basic salary per month.
- Mariam took a mid-month salary advance of TZS 50,000.
- All employees contribute 10% of their basic salaries to PSPF and the employer contributes the same amount for them to PSPF.
- All employees pay income tax as follows:

Income	Tax payable
0 - 150,000	Non-taxable
150,000 - 300,000	7,000 + 10% of amount above 150,000
300,000 - 500,000	14,000 + 15% of amount above 300,000
Over 500,000	28,000 + 20% of amount above 500,000

Use the information provided to prepare the payroll of Kiota Jungle Ltd for the month of October, 2019 and the General Journal to record the payroll on 28th October, 2019 and its payment. The payment was made by cheque on 31st October, 2019.