

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

153/1

ACCOUNTANCY I
(For Both School and Private Candidates)

Time: 3 Hours

Monday, March 14, 2005 a.m.

Instructions

1. This paper consists of *five (5)* questions in sections A and B.
2. Answer *all* questions.
3. All questions carry equal marks
4. Marks will be awarded for cleanliness and style of presentation of answers.
5. Workings must be shown clearly and submitted.
6. Cellular phones are *not* allowed in the examination room.
7. Write your *Examination Number* on every page of your answer booklet(s).

| U.S. FEB | DATE DUE | | |
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1. (a) Write short notes on the following terms:
 - (i) Accounting cycle.
 - (ii) Accruals and prepayments.
 - (b) Differentiate between:
 - (i) Provision and liability.
 - (ii) Revenue reserve and capital reserve.
 - (c) Give two (2) examples of capital reserve and indicate how each of them could be used
2. The machinery account of a firm for the three years ending on March 31, 1990, appeared as follows

Machinery Account

| | | | | | |
|---------|------------------|----------------|---------|-------------|----------------|
| 1.4.87 | Bank (machine 1) | <u>150,000</u> | | | |
| | | | 31.3.88 | Balance c/d | <u>150,000</u> |
| 1.4.88 | Balance b/d | 150,000 | | | |
| 1.10.88 | Bank (machine 2) | <u>60,000</u> | 31.3.89 | Balance c/d | <u>210,000</u> |
| | | <u>210,000</u> | | | <u>210,000</u> |
| 1.4.89 | Balance b/d | 210,000 | | | |
| 1.10.89 | Bank (machine 3) | <u>45,000</u> | 31.3.90 | Balance c/d | <u>255,000</u> |
| | | <u>255,000</u> | | | <u>255,000</u> |
| 1.4.90 | Balance b/d | 255,000 | | | |

Depreciation at 20% on the diminishing value basis was accumulated in provision for depreciation account. On January 1, 1991, machine 2 was damaged and had to be replaced by a new machine costing sh.75,000. It was expected that machine 2 will fetch shs.3,300, but it was insured and an insurance claim for shs.37,200 was admitted by the insurers.

Required:

Show for the year ended 31st March, 1991:

- (a) The machinery account.
 - (b) Provision for depreciation account
 - (c) Machinery disposal account.
3. Matonya Ltd, whose head office is in Dar es Salaam, operates a branch in Dodoma. All goods are purchased by the head office and invoiced to and sold by the branch at cost plus 33%. Other than a sales ledger kept in Dodoma, all transactions are recorded in the books in Dar es Salaam. The following are particulars of the transactions of the branch during the year ended 30th September 2001.

- 1 (a) Write short notes on the following terms.
 - (i) Accounting cycle.
 - (ii) Accruals and prepayments.
- (b) Differentiate between:
 - (i) Provision and liability.
 - (ii) Revenue reserve and capital reserve.
- (c) Give two (2) examples of capital reserve and indicate how each of them could be used

2 The machinery account of a firm for the three years ending on March 31, 1990, appeared as follows:

Machinery Account

| | | | | | |
|---------|------------------|----------------|---------|-------------|----------------|
| 1.4.87 | Bank (machine 1) | <u>150,000</u> | | | |
| | | | 31.3.88 | Balance c/d | <u>150,000</u> |
| 1.4.88 | Balance b/d | 150,000 | | | |
| 1.10.88 | Bank (machine 2) | <u>60,000</u> | 31.3.89 | Balance c/d | <u>210,000</u> |
| | | <u>210,000</u> | | | <u>210,000</u> |
| 1.4.89 | Balance b/d | 210,000 | | | |
| 1.10.89 | Bank (machine 3) | <u>45,000</u> | 31.3.90 | Balance c/d | <u>255,000</u> |
| | | <u>255,000</u> | | | <u>255,000</u> |
| 1.4.90 | Balance b/d | 255,000 | | | |

Depreciation at 20% on the diminishing value basis was accumulated in provision for depreciation account. On January 1, 1991, machine 2 was damaged and had to be replaced by a new machine 4 costing sh.75,000. It was expected that machine 2 will fetch shs.3,300, but it was insured and an insurance claim for shs.37,200 was admitted by the insurers.

Required:

Show for the year ended 31st March, 1991:

- (a) The machinery account.
 - (b) Provision for depreciation account.
 - (c) Machinery disposal account.
- 3 Matonya Ltd, whose head office is in Dar es Salaam, operates a branch in Dodoma. All goods are purchased by the head office and invoiced to and sold by the branch at cost plus 33%. Other than a sales ledger kept in Dodoma, all transactions are recorded in the books in Dar es Salaam. The following are particulars of the transactions of the branch during the year ended 30th September 2001.

(ii) All takings have been banked after deducting the following payments

Cash drawings (to be ascertained) _____?
Causal labour 600
Purchase of goods for resale 900

(Note: Takings have been the source of all amounts banked).

(iii) Bank payments during the year ended 31st August 1999 have been summarized as follows

| | |
|-------------------------------|--------|
| Purchases | 50,750 |
| Rent | 2,520 |
| Electricity | 695 |
| Delivery costs (to customers) | 1,500 |
| Causal labour | 3,310 |

(iv) It has been established that a gross profit of 33½% on cost has been obtained on all goods sold.

(v) Despite his apparent lack of precise accounting records, Pwaguzi is able to confirm that he has taken out of the business during the year under review goods for own use costing shs.300.

Required: Prepare a trading and profit and loss account for the year ended 31st August 1999 and a balance sheet as at that date (show all your workings clearly).

5. The following errors were discovered in the books of A. Matumula on December 31, 2003. The difference in the trial balance of Tshs 130,500 had been entered in a suspense account since the final accounts were to be prepared urgently. On correction of the errors, the suspense account was eliminated.

- (i) The total of purchases day book had been undercast by Tshs.50,000.
- (ii) Tshs. 38,000 for motor repairs had been taken to motor vehicle account.
- (iii) A cheque received from F. Basu Tshs.19,500 had been debited in the cash book but the double entry had not been completed.
- (iv) The returns outward book had been overcasts by Tshs.25,000.
- (v) A sale of Tsh.20,000 to Tereza has been entered in the purchases day book.
- (vi) A Purchase of a chair from New Happy Ltd Tsh.17,500 had been entered in the books as Tsh.26,500.
- (vii) Goods returned by Maneno Tshs.37,500 have been entered in the returns outward book. However, Maneno's account is correctly posted.

Required:

- (a) Show by means of journal entries how these errors would be corrected.
- (b) Show the suspense a/c, bringing out the original difference in the books