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

153/1

ACCOUNTANCY 1
(For Both School and Private Candidates)

Time: 3 Hours **2006 February, 13 Monday a.m.**

INSTRUCTIONS

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

ACS

1. (a) Distinguish capital expenditure from revenue expenditure.

   (b) How should capital and revenue expenditures be raised in order to maintain the financial position of a business?

2. E. Chewa commenced business on 1st Jan. 2003, and makes his account to 31st December each year. For the year which ended 31st December 2003, bad debts written off amounted to shs.120,000. It was also found necessary to create a provision for doubtful debts of shs.200,000.

   In year 2004, debts amounting to shs.160,000 proved bad and were written off. Mrs Malomo whose debt of shs.35,000 was written off as bad in 2003 settled her account in full on 30th November 2004. At 31st December 2004, total debts amounted to shs.5,600,000. It was decided to bring the provision to 5 percent of the debtors on that date.

   In year 2005, shs.235,000 debts were written off as bad, and another recovery of shs.15,000 was made in respect of the debts written off in 2003. At 31st December 2005, total debts outstanding were shs.4,200,000. The provision for doubtful debts was to be maintained at 5 percent of the debts.

   You are required to show for the years 2003, 2004 and 2005, the following accounts:

   (a) Bad debts.

   (b) Bad debts recovered.

   (c) Provision for bad debts.

   (d) Extract from the profit and loss.

3. A company buys a fixed asset for shs.800,000 and estimates that the asset will be used for 5 years. After exactly 2½ years, however, the asset is suddenly sold for shs.400,000. The company always provides a full year's depreciation in the year of purchase and no depreciation in the year of disposal.

   Required:

   (a) Write up relevant accounts (including the disposal account but not the profit and loss account) for each of years 1, 2 and 3, using the reducing balance depreciation method, assuming 40 % per annum.

   (b) What is the meaning of the net figure for the fixed asset in the balance sheet at the end of year 2?

   (c) If the asset was bought at the beginning of year 1, but was not used until year 2 (and it is confidently anticipated to last until year 6). State the appropriate depreciation charge in year 1. Justify your answer.

(b) PAYE is paid by the employee as follows:

Salary above Tshs. 80,000 but not exceeding Tshs. 100,000; 7.5 % of the excess of Shs. 80,000. Salary above Tshs. 100,000 up to Tshs. 150,000; Tshs. 175 plus 10 % of the amount in excess of Tshs. 100,000. Salary above Tshs. 150,000 up to Tshs. 200,000; Tshs. 225 plus 20 % of excess of Tshs. 150,000. Salary above Tshs. 200,000; Tshs. 375 plus 25 % of excess of Tshs. 200,000.

(c) Every employee is entitled to the following:

(i) Transport allowance 20 % of basic salary.

(ii) Meal allowance 12½ % of basic salary.

(iii) NSSF : 5 % of basic salary to be contributed by employee and 15 % of basic salary to be contributed by employer.

(iv) 20 % of basic salary paid by all employees as house mortgage loan.

(v) 1½ % of basic salary paid by all employees as car loan.

(vi) Both Xavier and Zainabu receive Tshs. 20,000 each as responsibility allowance.

Required:

Draft the above details in salary slips form for each employee for the month of December 2005.

4. The Sengerema Co. Ltd has authorised and issued share capital of Tshs. 600,000, divided into 75,000 ordinary shares of Tshs. 8 each, fully paid. On 1st January 2005, the authorised capital was increased by a further 85,000 oardinary shares of Tsh. 8 each to Tshs. 1,280,000. On the same date 40,000 ordinary shares of Tshs. 8 each were offered to the public at Tshs. 10 per share, payable as to Tshs. 4.80 on application (including the premium), Tshs. 2.80 on allotment and Tshs. 2.40 on 1st April 2005. The lists were closed on 20th January 2005, and by that date applications for 65,000 shares had been received. Applications for 5,000 shares received no allotment to the remaining applications prorata to their original applications, the balance of the monies received on applications being applied to the amounts due on allotment. The balance due on allotment were received on 30th January 2005, with the exception of one allotee of 500 shares and these were declared forfeited on 10th April 2005. These shares were reissued as fully paid on 1st May 2005, at Tshs. 8.80 per share. The call due on 1st April 2005 was dully paid by the other shareholders.

Required:

(a) Record the above transactions in the appropriate ledger accounts.

(b) Show how the balances on such accounts should appear in the company's balance sheet as on 31st May 2005.

5. Mary plans to open a tea kiosk. The following data are available for her plans.

Costs per cup of tea

Water	Tshs. 2
Milk	Tshs. 5
Sugar	Tshs. 10
Tea leaves	Tshs. 3

Cost of assistant per month	Tshs. 50,000
Other overheads per month	Tshs. 10,000
City Council kiosk rental per month	Tshs. 20,000
Sales price per cup of tea	Tshs. 100

Required to calculate:

(a) Variable cost per cup of tea.

(b) Total fixed costs per month.

(c) The contribution margin per cup of tea.

(d) The break even point in number of cups per month.