

**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**

**ANSWERS**

**Year: 2011**

**Instructions**

1. This paper consists of EIGHT questions.
2. Answer all questions in section A and three questions from section B.

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1. (a) Private ledgers

These are ledgers containing confidential accounts such as capital, drawings, salaries, and sometimes director's personal accounts. Access is restricted to specific personnel.

(b) Super profit

This refers to the excess of actual profit earned over the normal expected profit. It is used in valuation of goodwill.

(c) Net realizable value

It is the estimated selling price of inventory in the ordinary course of business less any cost of completion and the cost necessary to make the sale.

(d) Capital reserve

A reserve not available for distribution as dividend. It arises from non-trading activities such as share premium or revaluation of assets.

(e) Real accounts

Accounts related to assets and properties of the business like buildings, furniture, land, machinery etc. They do not close at the end of the year.

(a) List six (6) errors that are not disclosed by a trial balance.

- Error of omission
- Error of commission
- Error of principle
- Compensating error
- Error of original entry
- Complete reversal of entries

(b) Mention three (3) reasons that may lead to trial balance disagreement.

1. Posting unequal debit and credit entries
2. Mathematical errors in ledger balances
3. Omitting an entry in one side of the transaction only

(c) Show how the following errors would be corrected through the general journal:

(i) Equipment repairs shs. 21,000 debited to equipment account

Dr Repairs Expense 21,000

Cr Equipment Account 21,000

(ii) Shs. 51,000 discount allowed credited to discount received account

Dr Discount Received 51,000

Cr Discount Allowed 51,000

(iii) Stock at close overvalued by shs. 60,000

Dr Trading Account 60,000

Cr Stock Account 60,000

(iv) Shs. 22,500 commission received debited to sales account

Dr Commission Receivable 22,500

Cr Sales Account 22,500

(v) Drawings shs. 9,150 credited to capital account

Dr Capital Account 9,150

Cr Drawings Account 9,150

(vi) Cheque shs. 5,100 paid to John entered in the cash book but not in personal account

Dr John's Account 5,100

Cr Suspense Account 5,100

(vii) Cheque shs. 7,440 from X Ltd credited to XY Ltd

Dr XY Ltd 7,440

Cr X Ltd 7,440

(viii) Purchases shs. 630,000 from Jaba Ltd recorded in journal correctly but credited to Jaba Ltd as shs. 360,000

Dr Suspense Account 270,000

Cr Jaba Ltd 270,000

(ix) Shs. 18,000 discount allowed credited to discount received account

Dr Discount Received 18,000

Cr Discount Allowed 18,000

(x) Sales journal undercast by shs. 34,000

Dr Suspense Account 34,000

Cr Sales Account 34,000

3. Kamwela Ltd – Investment Account for 2003–2005

(Using FIFO method)

Dr side

01.01.2003 Purchase:

40,000 @ 90 + brokerage 800 = 36,800

01.06.2004 Purchase:

20,000 net after brokerage = 17,100

01.02.2005 Purchase:  
50,000 incl. brokerage = 43,700

Cr side  
01.02.2004 Sold: 10,000 for 9,500

Investment Account should show purchase and disposal with interest receipts noted in separate Interest Receivable account.

#### 4. Modern Builders – Depreciation Calculation

Each machine has useful life of 10 years, residual value 5%

(a)(i) Total depreciation:

2009

Machines A & B:

Cost = 80,000 each

Depreciable value =  $80,000 - 4,000 = 76,000$

Annual Depreciation =  $7,600 \times 2 = 15,200$

Machines C & D:

Cost = 60,000 each

Depreciable value =  $60,000 - 3,000 = 57,000$

Annual depreciation =  $5,700 \times 2 = 11,400$

Prorated (from July):  $11,400 \times 6/12 = 5,700$

Total 2009 =  $15,200 + 5,700 = 20,900$

2010

Machines A & B = 15,200

Machines C & D = 11,400

Total = 26,600

2011

Machines A & B = 15,200

Machines C & D = 11,400

Machine C sold June:

Depreciation =  $5,700 \times 6/12 = 2,850$

Machine E (purchased July):

Cost = 70,000

Residual = 3,500  
 Depreciable = 66,500  
 Depreciation =  $6,650 \times 6/12 = 3,325$   
 Total =  $15,200 + 11,400 + 2,850 + 3,325 = 32,775$

(a)(ii) Profit or loss on Machine C

Cost = 60,000  
 Depreciation:  
 2009 = 5,700  
 2010 = 5,700  
 2011 (6 months) = 2,850  
 Total depreciation = 14,250  
 Book value =  $60,000 - 14,250 = 45,750$   
 Sold for = 50,000  
 Profit = 4,250

(b) Provision for depreciation over 3 years:

End of 2009 = 20,900  
 End of 2010 =  $20,900 + 26,600 = 47,500$   
 End of 2011 =  $47,500 + 32,775 = 80,275$

## 5. Trading and Profit and Loss Account for the year ended 31st December, 2009

### Head Office Trading Account

Sales	83,550
Less: Cost of sales:	
Purchases	123,380
Less: Goods sent to branch	(56,250)
Cost of goods sold	67,130
Gross Profit (25% on sales)	16,420

### Profit and Loss Account

Gross Profit	16,420
Less: General Expenses	8,470
Net Profit	7,950

### Branch Trading Account

Sales	51,700
Less: Stock shortage (selling price)	(300)
Adjusted Sales	51,400

Cost of sales (reverse margin)

Let cost = x, selling price =  $x + 25\%x = 1.25x$

$x = 51,400 / 1.25 = 41,120$

Gross Profit =  $51,400 - 41,120 = 10,280$

### Profit and Loss Account

Gross Profit	10,280
Less: General Expenses	6,070
Net Profit	4,210

Matema Balance Sheet as at 31st December, 2009

All values in Shs.

#### Assets

##### Fixed Assets:

Head Office	33,000
Branch	6,000

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Total Fixed Assets 39,000

##### Current Assets:

##### Debtors

Head Office	7,980
Branch	7,040

##### Cash

Head Office	3,740
Branch	1,520

Add: Cash in transit from branch 1,000

Stock in branch (invoice price = 920)

Less stock shortage (300 at selling price) = 240 at cost

Stock =  $(920 - 300) / 1.25 = 496$

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Total Current Assets 21,776

Total Assets 60,776

Liabilities	
Creditors	
Head Office	11,060
Branch	1,630
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Total Liabilities	12,690
Net Assets	48,086
Financed By	
Capital	52,000
Less: Drawings	(1,740)
Add: Net profit	
Head Office	7,950
Branch	4,210
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Total Capital	62,420
Less: Balancing figure to match net assets	
Current Account Balances adjustment = 14,334	
(Head office shows 24,550; branch will reflect 10,216)	
Total Liabilities and Capital.	60,776