

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: 2012

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. Briefly explain the following accounting terms:

(a) Bank Giro Credit

This is a method of transferring funds from one bank account to another using a bank-issued form. It's commonly used for bill payments or transferring money between customers and suppliers.

(b) Gearing Ratio

This ratio measures the proportion of a company's borrowed funds to its equity. It indicates the level of financial risk. A higher ratio means more reliance on debt to finance operations.

(c) Accounting Cycle

This refers to the full process of recording and processing all financial transactions of a company, from when the transaction occurs to its representation in the financial statements. It includes journalizing, posting to ledger, trial balance, adjustments, and preparation of final accounts.

(d) Depletion

This is the systematic reduction of the cost of a natural resource (like minerals or oil) over its useful life. It's similar to depreciation but applies to natural resource assets.

(e) Errors of Principle

These are accounting errors that occur when the correct amount is recorded but in the wrong type of account. For example, recording the purchase of a fixed asset as an expense.

2. Income Statement for the year ended 31st December, 1994

Sales 928,400

Less: Sales returns 185,500

Net Sales 742,900

Opening stock 98,000

Purchases 742,900

Less: Drawings (stock used privately) 1,500

Cost of goods available 839,400

Less: Closing stock 104,500

Cost of sales 734,900

Gross Profit 8,000

Add: Discounts received 2,250

Gross Income 10,250

Less: Expenses

Rates 94,280

Insurance (8,000 - prepaid 1,500) 6,500
General expenses 2,250
Wages and salaries (84,670 + 3,200) 87,870
Provision for doubtful debts (2,900 - 1,200) 1,700
Bad debts 5,720
Depreciation:
Furniture and fittings (1,500 × 10%) 150
Delivery van (20% of 10,000) 2,000
Discounts allowed 12,000
Total Expenses 212,270

Net Loss 202,020

Balance Sheet as at 31st December, 1994

Assets

Fixed Assets:

Freehold Land and Buildings 237,000
Furniture and Fittings (15,000 - 150) 14,850
Delivery Van (10,000 - 2,000) 8,000
Total Fixed Assets 259,850

Current Assets:

Closing Stock 104,500
Debtors (94,280 - Bad debts 5,720) 88,560
Less: Provision for Doubtful Debts (2,900)
Net Debtors 85,660
Prepaid Insurance 1,500
Bank 7,460
Total Current Assets 199,120

Total Assets 458,970

Capital and Liabilities

Capital 380,000
Add: Profit on car sold (15,000 - 10,000) 5,000
Less: Drawings (10,000 + 1,500) 11,500
Adjusted Capital 373,500
Less: Net Loss 202,020
Adjusted Capital 171,480

Provision for doubtful debts 2,900
Creditors 69,470

Outstanding wages 3,200
Total Liabilities 75,570

Total Capital and Liabilities 247,050

3. Investment Account (Namaru Investment Ltd)
For the period ending June 30, 2001

Dr Side

01.07.2000 Opening Balance:
200,000 @ book value 193,000
01.10.2000 Purchased:
100,000 @ 98 cum-interest 98,000
01.01.2001 Purchased:
60,000 @ 97 ex-interest 58,200
Interest on 100,000 @ 6% for 3 months 1,500
01.06.2001 Sold:
160,000 @ 101 ex-interest 161,600
Interest for 5 months @ 6% on 160,000 4,000

Profit on sale = 161,600 - cost of 160,000 (FIFO):
100,000 @ 98 = 98,000
60,000 @ 97 = 58,200
Total cost = 156,200
Profit = 5,400

Credit Side

31.01.2001 Interest Received (on 200,000) 6,000
30.06.2001 Interest Received (on 40,000) 1,200
Sales Proceeds (160,000 @ 101) 161,600
Total Credit 168,800

Closing Balance (remaining 40,000 debentures):
From 01.01.2001: 40,000 @ 97 = 38,800

4. Bar Trading Account for the year ended 31st March, 2009

Opening Stock (Bar) 130,000
Add: Bar Purchases 2,190,000
Goods available for sale 2,320,000
Less: Closing Stock 150,000
Cost of Sales 2,170,000

Sales (Bar takings) 2,840,000
Gross Profit 670,000

Income and Expenditure Account
For the year ended 31st March, 2009

Income

Subscriptions Received 1,786,000
Add: Arrears (end) 50,000
Less: Arrears (beg) (35,000)
Less: Advance (current year) (20,000)
Adjusted Subscriptions Income 1,781,000
Competition receipts 382,000
Entrance fees 200,000
Interest from Building Society 12,000
Total Income 2,375,000

Expenditure

Secretary's salary 25,000
Bonus to steward (5% of 240,000) 12,000
Heating, lighting and cleaning 185,000
Prizes for competition 300,000
Printing and postage 90,000
Depreciation (10% of 2,400,000) 240,000
Total Expenditure 852,000

Surplus for the year 1,523,000

5 (a) Branch Stock Account for Machinga Ltd
For the year ended 28th February, 2007

Dr Side

Opening stock at invoice price	44,000
Goods sent from head office	248,000
Total	292,000

Cr Side

Credit sales	210,000
Cash sales	24,000
Returns to head office	10,000
Goods stolen	6,000
Loss due to wastage	1,000
Closing stock	39,480

Total	290,480
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Stock shortage (balancing figure)	1,520
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Branch Total Debtors Account

For the year ended 28th February, 2007

Dr Side

Opening debtors	39,460
Credit sales	210,000
Total	249,460

Cr Side

Cash from debtors	224,000
Bad debts written off	1,480
Cash discount allowed	4,280
Closing balance (balancing figure)	19,700
Total	249,460

5 (b) Chihako Company – Rent and Advertising Calculations

(i) Rent revenue in profit and loss

Rent collected in year five = 543,000

Add: Unearned rent beginning (year 4) = 22,000

Less: Unearned rent at end (year 5) = 8,200

Rent revenue for income statement =

$543,000 + 22,000 - 8,200 = 556,800$

(ii) Cash paid for advertising

Accrued advertising at beginning = 39,222

+ Advertising expense during year = 321,000

- Accrued at end = 14,500

- Prepaid at beginning = 26,800

+ Prepaid at end = 32,000

Cash paid =

$321,000 + 39,222 - 14,500 - 26,800 + 32,000$

$= 350,922$

6 (a) Green Rental – Adjusting Journal Entries

1. Wages accrued

Dr Wages Expense 6,000

Cr Accrued Wages 6,000

2. Telephone bill not recorded

Dr Telephone Expense 2,000

Cr Accrued Expenses 2,000

3. Depreciation

Dr Depreciation Expense 200,000

Cr Accumulated Depreciation 200,000

4. Interest on loan from CRDB

Dr Interest Expense 24,000

Cr Accrued Interest 24,000

5. Adjustment for January 2002 revenue included in 2001

Dr Revenue 20,000

Cr Unearned Revenue 20,000

6. Maintenance expense for next year

Dr Prepaid Expense 10,000

Cr Repairs and Maintenance Expense 10,000

Adjusted Income Statement

For the year ended 31st December, 2001

Revenue

Car hire revenue (1,020,000 - 20,000) 1,000,000

Expenses

Salaries and wages (264,000 + 6,000) 270,000

Maintenance and repairs (100,000 - 10,000) 90,000

Office rent 80,000

Water and electricity 30,000

Petrol, diesel and oil 20,000

Miscellaneous 4,000

Telephone 2,000

Depreciation 200,000

Interest expense 24,000

Total Expenses 720,000

Net Loss 280,000

(b) Journal entries for adjustments and closing as at 31st March, 2011

1. Closing stock

Dr Closing Stock 350,000

Cr Trading Account 350,000

2. Salaries (11 months \times 200,000 = 2,200,000)

Dr Salaries Expense 2,200,000

Cr Accrued Salaries 2,200,000

3. Insurance paid

Dr Insurance Expense 30,000

Cr Prepaid Insurance 10,000

Cr Bank 40,000

4. Apprenticeship premium (1 year only = 30,000)

Dr Unearned Revenue 60,000

Cr Apprenticeship Premium Revenue 60,000

7. (a) (i) Ascertain the amount for estimated doubtful debts at the end of each year (2% of debtors):

Year 2007:

2% of 60,000 = 1,200

Year 2008:

2% of 70,000 = 1,400

Year 2009:

2% of 77,500 = 1,550

Year 2010:

2% of 65,000 = 1,300

(ii) Prepare Provision for Doubtful Debts Account and Bad Debts Account for the year ended 31st December, 2010

Provision for Doubtful Debts Account

Dr side

2009 Dec 31: Balance c/d 1,550

2010 Dec 31: Balance c/d 1,300

Cr side

2009 Jan 1: Balance b/d 1,400

2010 Jan 1: Balance b/d 1,550

Profit and Loss A/C (Decrease) 250

Bad Debts Account

Dr side

Bad debts written off 6,100

Cr side

Profit and Loss A/C 6,100

3 (b)(i) Journal entries to correct the errors:

1. Sales returns day book undercast by 1,000

Dr Sales Returns 1,000

Cr Suspense Account 1,000

2. Drawings of 800 debited to wages

Dr Drawings 800

Cr Wages 800

3. Bank charges of 2,700 not posted

Dr Bank Charges 2,700

Cr Suspense Account 2,700

4. Sale of 3,850 not entered

Dr Utulalija Jiji (Debtor) 3,850

Cr Sales 3,850

5. Carriage inward 750 debited to carriage outward

Dr Carriage Inwards 750

Cr Carriage Outwards 750

6. Rent rebate of 2,000 not posted

Dr Rent Received 2,000

Cr Suspense Account 2,000

7. Purchases book overcast by 1,000 (248,970 instead of 247,970)

Dr Suspense Account 1,000

Cr Purchases 1,000

8. Discount allowed 2,180 wrongly credited to discount allowed
Dr Suspense Account 2,180
Cr Discount Allowed 2,180

(ii) Suspense Account

Dr side

Sales returns undercast 1,000

Bank charges omitted 2,700

Rent rebate not posted 2,000

Discount error 2,180

Total = 7,880

Cr side

Purchases book overcast 1,000

Opening balance (debit) 7,050

Total = 8,050

Balancing figure = 170 credit (to overbalance the 7,880 debit side)

Suspense Account is now balanced with total of 8,050 on both sides.