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: 2013**

Instructions

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

1. Briefly explain the following accounting terms:

(a) Single entry system
This is an incomplete and unstructured method of recording financial transactions where only one aspect of each transaction is recorded. It does not follow the double entry principle and is often used by small businesses without formal accounting systems.

(b) Journal
The journal is the book of original entry in accounting where all financial transactions are initially recorded in chronological order before they are posted to the ledger accounts. Each entry records the debit and credit aspects of a transaction.

(c) Closing stock
Closing stock refers to the value of unsold goods at the end of an accounting period. It is an asset and appears on the balance sheet. It is also deducted from the cost of goods sold in the income statement.

(d) Accrual concept
This accounting principle states that revenues and expenses should be recorded in the period in which they are incurred, regardless of whether cash has been received or paid. It ensures a more accurate representation of financial performance.

(e) Business entity
This concept states that the business is treated as separate from its owner(s). All business transactions are recorded from the perspective of the business, and personal transactions of the owner are not included in the business accounts.

2. (a) Nia Njema commenced business on 01.03.2001 with several lorry transactions.

You are required to write up the following accounts:

(i) Lorries Account (for all years):
Dr Lorries Account

01.03.2001	Lorry A purchased	120,000
30.04.2001	Lorry B purchased	180,000
30.03.2002	Lorry C purchased	200,000
30.11.2002	Lorry D purchased	200,000
30.09.2003	Lorry E acquired	190,000

Cr Lorries Account

15.04.2002	Lorry A disposed	120,000
30.09.2003	Lorry D exchanged	200,000

Closing Balance = 870,000 - 320,000 = 550,000

(ii) Provision for Depreciation Account:

Year ended 28.02.2002
Lorry A: Full year = 20% of 120,000 = 24,000
Lorry B: 10 months (Apr–Feb) = (180,000 × 20%) × (10/12) = 30,000
Total: 54,000

Year ended 28.02.2003
Lorry B: 36,000 (full year)
Lorry C: 200,000 × 20% = 40,000
Lorry A: Sold on 15.04.02 = Full depreciation of 24,000 already taken
Total: 76,000

Year ended 28.02.2004
Lorry B: 36,000
Lorry C: 40,000
Lorry D: 40,000
Lorry E: 190,000 × 20% × (3/12) = 9,500
Lorry D: Traded in = Full depreciation 200,000 × 20% = 40,000

Total for year: 125,500

(iii) Disposal Account:

Lorry A:
Cost = 120,000
Depreciation = 24,000
Net Book Value = 96,000
Proceeds = 85,000
Loss on Disposal = 11,000

Lorry D:
Cost = 200,000
Depreciation = 40,000
Net Book Value = 160,000
Exchange value = 190,000
Gain = 30,000

(b) Journal Entries:

(i) Interest accrued on securities:
Dr Interest Receivable 50,000
Cr Interest Income 50,000

Narration: Being interest on securities accrued but not yet received as at 31st March, 2010.

(ii) Bad debts during the year:
Dr Bad Debts 10,000
Cr Debtors 10,000

Narration: Being bad debts written off during the year.

3. Alizeti PLC Investment Account

(i) 01.09.2004
Dr Investment Account 460,000
Cr Bank 460,000
Narration: Purchase of 500,000 (nominal) at 0.92

Interest Received:
Dr Bank 30,000
Cr Interest Income 30,000

(ii) 01.10.2005
Dr Investment Account 95,000
Cr Bank 95,000

(iii) 01.12.2005
Dr Investment Account 94,000
Cr Bank 94,000

Interest on full investment (based on nominal value 700,000) received on 31st Dec
12% of 700,000 × 6/12 = 42,000
Dr Bank 42,000
Cr Interest Income 42,000
Total investments balance = 460,000 + 95,000 + 94,000 = 649,000
Nominal = 700,000
4. (a) Computations based on the financial statement of Manundu Investment Company Ltd:

(i) Current Ratio
= Current Assets / Current Liabilities
= (16,400 + 18,800 + 2,400) / (14,200 + 4,000)
= 37,600 / 18,200
= 2.07:1

(ii) Acid Test Ratio
= (Current Assets - Stocks) / Current Liabilities
= (37,600 - 16,400) / 18,200
= 21,200 / 18,200
= 1.16:1

(iii) Debt Service Cover
= Net Profit before Interest and Tax / Interest
= (16,400 + 1,440) / 1,440
= 17,840 / 1,440
= 12.4 times

(iv) Net Income Ratio
= Net Profit after Tax / Sales
= 8,400 / 148,000
= 0.0568
= 5.68%

(v) Return on Capital Employed (ROCE)
= Net Profit before Interest and Tax / Capital Employed × 100
Capital Employed = Shareholders' funds + Long-term loan = 54,400 + 12,000 = 66,400
ROCE = (16,400 + 1,440) / 66,400 × 100
= 17,840 / 66,400 × 100 = 26.87%

(vi) Return on Shareholders' Equity
= Net Profit after Tax / Shareholders' Equity × 100
= 8,400 / 54,400 × 100
= 15.44%

(vii) Inventory Turnover
= Cost of Goods Sold / Average Stock
= 72,000 / 16,400
= 4.39 times

(viii) Debtors Collection Period
Credit Sales = 90% of 148,000 = 133,200
= (Debtors / Credit Sales) × 365
= (18,800 / 133,200) × 365

= 0.1411 × 365 ≈ 51.5 days

(ix) Debt Equity Ratio
= Long-term Debt / Shareholders' Funds
= 12,000 / 54,400
= 0.22:1

(x) Return on Total Assets
Total Assets = Total Liabilities + Capital = 84,600
Return = Net Profit after Tax / Total Assets
= 8,400 / 84,600 × 100
= 9.93%

4. (b) The Big Noise Branch Trading and Profit and Loss Account for the year ended 30th June:

Trading Section

Sales	225,000
Less: Opening Stock	(4,500)
Add: Goods from HO	68,000
Purchases	132,900
Cost of Goods Available	201,400
Less: Closing Stock	(5,200)
Cost of Sales	196,200
Gross Profit	28,800

Profit and Loss Section

Gross Profit	28,800
Less: Expenses	
Wages and Salaries	11,000
Trade Expenses	10,500
Depreciation (10% of 12,500)	1,250
Total Expenses	22,750
Net Profit.	6,050

Branch and Head Office Current Accounts

Branch Account in Head Office Books
Dr

Opening Balance	23,000
Cash Remitted to HO	66,000
Closing Balance	25,000

Head Office Account in Branch Books

Cr

Opening Balance	23,000
Goods Received	68,000
Closing Balance	25,000
Cash Remitted to HO	66,000

Balances reconcile confirming accuracy.

5. Nandenga Investment

(i) Profit and Loss Account for the year ended 31st March, 2010

Sales (cash and credit)	3,000,000
Less: Returns from debtors	60,000
Net Sales	2,940,000

Less: Cost of Goods Sold

Opening stock	140,000
Add: Purchases	
Paid to creditors	2,362,000
Add: Closing creditors	198,000
Less: Opening creditors	(220,000)
Purchases	2,340,000
Add: Cash purchases	100,000
Total purchases	2,440,000
Less: Returns to creditors	(30,000)
Net purchases	2,410,000
Goods available for sale	2,550,000
Less: Closing stock	(190,000)
Cost of goods sold	2,360,000

Gross Profit	580,000

Less: Expenses

Bad debts	20,000
Miscellaneous expenses:	
Outstanding (6,000) + paid (50,000) =	56,000
Salary and wages	180,000
Depreciation on sundry assets:	

Closing (200,000) – Opening (180,000) =	20,000
Discount allowed to debtors	40,000
Total expenses	316,000
Net Profit	264,000

(ii) Balance Sheet as at 31st March, 2010

Assets	
Sundry assets	200,000
Stock	190,000
Cash in hand	48,000
Cash at bank	80,000
Debtors	26,000
Total Assets	544,000
Liabilities and Capital	
Creditors	198,000
Miscellaneous expenses outstanding	6,000
Capital (balancing figure)	340,000
Total Liabilities and Capital	544,000

(iii) Debtors Control Account

Dr side:	
Balance b/d	404,000
Credit sales	3,000,000
Total	3,404,000
Cr side:	
Returns from debtors	60,000
Bad debts	20,000
Discount allowed	40,000
Cash received (total receipts)	2,450,000
Balance c/d	26,000
Total	3,404,000

Creditors Control Account

Dr side:	
Payments to creditors	2,362,000
Returns to creditors	30,000

Discount received	40,000
Balance c/d	198,000
Total	2,630,000

Cr side:

Balance b/d	220,000
Purchases (balancing figure)	2,410,000
Total	2,630,000

6. Charambe Rotary Club

(a) Accumulated Fund as at 1st August, 2008

Assets:

Equipment (given)	97,500
Subscriptions in arrears	6,500
Inventory of competition prizes	3,800
Cash and bank balance	21,000
Total Assets	128,800

Liabilities:

Subscription in advance	1,000
Creditors for competition prizes	5,800
Net Assets / Accumulated Fund	122,000

(b) Subscriptions Account

Dr

Balance b/d (arrears 2008)	6,500
Bank (cash received)	198,700
Balance c/d (advance 2009)	3,700
Total	208,900

Cr

Balance b/d (advance 2008)	1,000
Income & Expenditure A/C (bal)	200,000
Balance c/d (arrears 2009)	8,500
Total	209,500

Competition Prizes Account

Dr

Bank (paid)	27,000
Creditors c/d	6,800

Total	33,800

Cr

Creditors b/d	5,800
Income & Expenditure (bal)	28,000
Total	33,800

(c) Income and Expenditure Account for the year ended 31st July, 2009

Income

Subscriptions (from above)	200,000
Competition tickets	43,700
Donations	17,700
Refund of rent	50,000
Total income	311,400

Expenditure

Secretarial expenses	16,300
Rent (140,200 - 50,000 refund)	90,200
Visiting speakers' expenses	127,500
Donation to charities	3,500
Prizes for competitions (from b)	28,000
Stationery and printing	17,900
Depreciation (142,000 - 97,500 = 44,500 and 97,500 - 78,000 = 19,500 → current year)	19,500
Total expenses	302,900

Surplus for the year	8,500

Balance Sheet as at 31st July, 2009

Assets

Equipment (closing)	78,000
Subscriptions in arrears	8,500
Inventory of competition prizes	4,600
Cash and bank balance (closing)	1,300
Total Assets	92,400

Liabilities

Subscription in advance	3,700
Creditors – competition prizes	6,800
Net Assets / Accumulated Fund	81,900
Total Liabilities and Capital	92,400

7 (a)

(i) Journal Entries to Correct the Errors

1. Sales day book had been under cast by sh. 200,000
Dr Sales Account 200,000
Cr Suspense Account 200,000

2. Sales of sh. 610,000 to T. Majumu had been debited in error to T. Majuni's account
Dr T. Majuni's Account 610,000
Cr T. Majumu's Account 610,000

3. Rent account had been under cast by sh. 90,000
Dr Suspense Account 90,000
Cr Rent Account 90,000

4. Discount allowed account had been over cast by sh. 100,000
Dr Discount Allowed Account 100,000
Cr Suspense Account 100,000

5. Sale of a computer credited to sales account instead of disposal account sh. 230,000
Dr Sales Account 230,000
Cr Disposal Account 230,000

(ii) Suspense Account

Dr side:
Discount allowed over cast 100,000
Rent under cast 90,000
Total = 190,000

Cr side:
Sales under cast 200,000
Total = 200,000

Balance c/d (opening difference) = 210,000
190,000 + 210,000 = 400,000
Balance the suspense account:
Cr Suspense = 400,000
Dr Suspense = 400,000
Therefore, suspense account closes off after correction.

(iii) Corrected Net Profit

Original net profit = 31,400,000
Adjustments:

1. Increase Sales (under cast) = +200,000
2. Reduce Sales (asset disposal) = -230,000
3. Discount allowed over cast = +100,000 (expense overstated, so profit increases)
4. Rent under cast = -90,000 (expense understated, so profit decreases)

Net effect = +200,000 - 230,000 + 100,000 - 90,000 = -20,000

Corrected profit = 31,400,000 - 20,000 = 31,380,000

7 (b) Debtors' Ledger Control Account

Debtors' Ledger Control Account
For the year ended 30th June, 2008

Dr Side	
Balance b/d	574,000
Sales	42,910,000
Bills of exchange receivable	9,720,000
Transfer from creditors' ledger	950,000

Total Debits	54,154,000
Cr Side	
Cheques received from debtors	21,760,000
Returns inwards	7,840,000
Discount allowed	3,980,000
Bills of exchange payable	5,130,000
Bad debts	1,640,000
Provision for bad debts	2,380,000
Transfer to creditors' ledger	950,000

Total Credits	43,680,000
Balance c/d (Debtors)	10,474,000

Total	54,154,000

Creditors' Ledger Control Account
For the year ended 30th June, 2008

Cr Side	
Balance b/d	683,000
Purchases	38,620,000
Bills of exchange payable	5,130,000

Total Credits	44,433,000
Dr Side	
Cheque paid to creditors	19,340,000
Returns outwards	8,670,000
Discount received	4,560,000
Transfer to debtors' ledger	950,000
Cash received on debit balance	810,000

Total Debits	34,330,000
Balance c/d (Creditors)	10,103,000

Total	44,433,000