

**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: 2015**

**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) Investors: Individuals or entities that contribute capital to a business with the expectation of earning a return in the form of profits or dividends.

(b) Transactions: Business events or activities that involve the exchange of money or economic resources and can be measured in monetary terms.

(c) Liabilities: The financial obligations or debts a business owes to outsiders, which must be settled over time through the transfer of economic benefits.

(d) Prepaid expenses: Payments made in advance for goods or services to be received in future periods, recorded as assets until they are used or consumed.

(e) Drawings: Withdrawals made by the owner from the business for personal use, which reduce the owner's capital in the business.

2. (a) Pachto Limited is a family-controlled company which operates a chain of retail outlets specialising in motor spares and accessories.

Branch stocks are purchased by a centralised purchasing function in order to obtain the best terms from suppliers. A 10 per cent handling charge is applied by head office to the cost of the purchases, and branches are expected to add 25 per cent to the resulting figure to arrive at normal selling prices. Although branch managers are authorised to reduce normal prices in special situations, the effect of such reductions must be notified to head office.

On 1st April, 2012, a new branch was established at Mwanza. The following details have been recorded for the year ending 31st March, 2013:

Item	Sh
Purchase cost to head office of stock transferred to Mwanza	824000
Mwanza branch sales: Cash	899400
Mwanza branch sales: Credit	18700
Stocks transferred from Mwanza to other branches at normal selling prices	33000

Authorised reductions from normal selling prices during the year	22500	
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From the information given above:

- (i) Prepare the branch stock account at selling prices.
- (ii) Prepare the branch stock adjustment account.
- (iii) Prepare a statement which shows the stock difference.
- (iv) List four possible reasons for the stock difference revealed when a physical stocking at the Mwanza branch on 31st March, 2013 showed stock valued at selling prices amounting to sh. 148,500.

Answer:

- (i) Branch Stock Account (at selling price)

Opening stock: Nil

Add: Stock sent to branch:

$$= 824,000 + 10\% = 906,400$$

$$= 906,400 + 25\% = 1,133,000$$

Total available: 1,133,000

Less: Sales (Cash + Credit):  $899,400 + 18,700 = 918,100$

Less: Transfer to other branches: 33,000

Less: Authorised reductions: 22,500

Closing balance (per account):

$$= 1,133,000 - (918,100 + 33,000 + 22,500) = 159,400$$

- (ii) Branch Stock Adjustment Account

To Overload on stock sent:

$$= 25\% \text{ of } 906,400 = 226,600$$

By Cost to HO of reductions:

$$= 22,500 \times 100/135 = 16,667$$

By Gross profit on sales:

$$= 918,100 \times 100/135 = 680,074$$

By Transfers to other branches:

$$= 33,000 \times 100/135 = 24,444$$

Stock surplus adjustment:

= Difference between physical stock and account stock

Physical stock: 148,500

Per books: 159,400

Difference: 10,900 (shortage to be debited here)

(iii) Statement showing stock difference

Stock per books (from account): 159,400

Stock counted physically: 148,500

Stock difference: 10,900 (shortage)

(iv) Possible reasons for stock difference

- Pilferage or theft by branch staff
- Errors in recording sales or stock returns
- Goods damaged and not reported
- Stock issued without documentation or authorisation

3. (b) An accounts clerk extracts a trial balance in the books of M Majaliwa which fails to agree by sh. 70,700. He places the difference on the credit side in a suspense account and then proceeds to prepare draft income statement for the year ending 31st May, 2012 which results in a net profit of sh. 50,000. Later he attempts to find the errors which had caused the difference. Investigation revealed the following:

1. Sales day book was under cast by sh. 100,000.
2. Discount received of sh. 10,800 from Dandu supplies, has been correctly entered in the cash book but has not been posted to the account of Dandu supplies.
3. Purchases day book has been under cast by sh. 58,500.
4. Sh. 22,000 received from a debtor had been debited to his account.
5. Discount allowed, sh. 2,000 has not been posted to the credit side of discounts allowed account.
6. The cost of new equipment sh. 120,000 had been debited to the repairs account.

Using the above details:

- (i) Pass journal entries to correct the above errors
- (ii) Prepare suspense account duly balanced

Answer:

(i) Journal Entries:

1. Dr Sales Account 100,000  
    Cr Suspense Account 100,000
2. Dr Dandu Supplies Account 10,800  
    Cr Suspense Account 10,800
3. Dr Suspense Account 58,500  
    Cr Purchases Account 58,500
4. Dr Suspense Account 44,000  
    Cr Debtor's Account 44,000
5. Dr Discount Allowed Account 2,000  
    Cr Suspense Account 2,000
6. Dr Equipment Account 120,000  
    Cr Repairs Account 120,000

(ii) Suspense Account:

Suspense Account

Details	Amount	Details	Amount
-----	-----	-----	-----
Purchases error	58,500	Sales error	100,000
Debtor wrong entry	44,000	Dandu omission	10,800
		Discount omission	2,000
Total	102,500	Total	112,800

Closing balance: Cr 10,300 (to be investigated further)

(b) On 1st April, 2012 Komba Ltd purchased 10,000 ordinary shares of sh. 10 each fully paid in Mbawala Ltd at a cost of sh. 205,000. During the year the following transactions were made:

(i) On 1st September, 2012 Mbawala Ltd declared and paid a dividend of 15% on its shares for the year ending 30th June, 2012.

(ii) On 1st October, 2012 Mbawala Ltd gives its eight members the right to subscribe for one ordinary share for every eight held on 1st November, 2012, at a price of sh. 15 per share payable in full on application.

(iii) On 15th November, 2012 Komba Ltd purchased for sh. 4 per share the right of another shareholder in Mbawala Ltd to subscribe for 750 shares under the right issue.

(iv) On 30th November, 2012 Komba Ltd applied and paid for all the shares in Mbawala Ltd to which it was then entitled.

(v) On 8th September, 2013 Mbawala Ltd declared and paid a dividend for the year ended 30th June, 2013, of 15% on all ordinary shares including those issued in 2012.

(vi) On 1st October, 2013 Komba Ltd sold 4,500 ordinary shares in Mbawala Ltd for sh. 98,750.

(vii) The accounting year of Komba Ltd ends on 31st December.

(viii) Komba Ltd does not make apportionments of dividend received or receivable. When part of a holding of shares is sold, it is practice of this company to calculate the cost of the shares sold as an appropriate part of the average cost of all the shares held at the date of the sale.

From the information given above, show the investment account in the books of Komba Ltd for the two years ending 31st December, 2012 and 2013 bringing down the balance at the end of each year.

Answer:

Investment Account (Komba Ltd)

For the years ended 31st December 2012 and 2013

(Sh. = TZS)

Year 2012

Date	Particulars	Dr (Sh.)	Cr (Sh.)	Balance (Sh.)	
-----	-----	-----	-----	-----	
2012 Apr 1	Bank (Purchase of 10,000 shares)	205,000		205,000	
2012 Nov 15	Bank (Right purchase)	3,000		208,000	
2012 Nov 30	Bank (Right issue $10,000/8 = 1,250$ shares $\times 15$ )	18,750		226,750	
	Total holding = 11,250 shares				

Year 2013

Date	Particulars	Dr (Sh.)	Cr (Sh.)	Balance (Sh.)	
-----	-----	-----	-----	-----	
2013 Oct 1	Bank (Sale of 4,500 shares)		90,600	136,150	
	(Cost per share = $226,750 / 11,250 = 20.178$ , $\times 4,500 = 90,600$ )				
	Closing: 6,750 shares			136,150	

4. (a) Three of the accounts in the ledger of Goodluck indicated the following balances at 1st January, 2012:

Insurance paid in advance – 56,200

Wages outstanding – 30,600

Rent receivable, received in advance – 3,600

Transactions made by Goodluck during the year:

Paid for insurance sh. 101,900 by bank standing order

Paid sh. 1,500,000 wages in cash

Received sh. 260,000 rent, by cheque from the tenant.

At 31st December, 2012, insurance prepaid was sh. 34,500. On the same day rent receivable in arrears was sh. 10,500 and rent received in advance was sh. 4,500. Wages accrued amounted to sh. 41,900.

Using the above information prepare:

(i) Insurance, Wages and Rent Receivable accounts for the year ending 31st December, 2012.

(ii) Income Statement (extract) for the year ending 31st December, 2012.

Answer:

(i) Insurance Account

Date	Details	Amount (Sh.)
-----	-----	-----
Jan 1	Prepaid (Opening)	56,200
Dec 31	Bank	101,900
Dec 31	Profit & Loss (Expense)	123,600



Dec 31	Prepaid (Closing)	34,500
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(ii) Wages Account

Date	Details	Amount (Sh.)
-----	-----	-----
Jan 1	Outstanding (Opening)	30,600
Dec 31	Bank (Cash paid)	1,500,000
Dec 31	Profit & Loss (Expense)	1,511,300
Dec 31	Outstanding (Closing)	41,900

(iii) Rent Receivable Account

Date	Details	Amount (Sh.)
-----	-----	-----
Jan 1	Advance Received	3,600
Dec 31	Tenant (Rent received)	260,000
Dec 31	Profit & Loss (Income)	262,400
Dec 31	Receivable (Closing)	10,500
Dec 31	Advance (Closing)	4,500

(iv) Extract of Income Statement for the year ended 31st December, 2012:

Wages Expense: Sh. 1,511,300

Insurance Expense: Sh. 123,600

Rent Income: Sh. 262,400

(b) Malingumu Bus Services Ltd operates between Dar es Salaam and Kampala. The firm had two buses as at 1st January, 2012 as shown below:

Bus 1 (T 200 AAA) purchased on 31st March, 2008 for sh. 4,000,000.

Bus 2 (T 201 AAA) purchased on 1st April, 2009 for sh. 5,000,000.

Depreciation is charged at 20% per annum on cost.

During the year ending 31st December, 2012, the following transactions took place:

1st May Bus 3 (T 202 AAA) was bought for sh. 6,000,000.

30th June Bus 2 (T 201 AAA) was involved in an accident at Korogwe. It was scraped off. Zanzibar Insurance Company paid sh. 2,500,000 as insurance claim.

1st July Bus 4 (T 203 AAA) was purchased for sh. 8,000,000.

1st October Bus 4 (T 203 AAA) proved uneconomical and it was traded in for Bus 5 (T 204 AAA) which cost sh. 7,500,000.

Malingumu Bus Services Ltd provides depreciation from the day of purchases to the date of disposal and makes its accounts to 31st December each year.

From the information given above, show the entries for the year ending 31st December, 2012:

(i) Buses account

(ii) Accumulated for depreciation account

(iii) Buses disposal account

Answer:

(i) Buses Account

Dr Buses Account

1/1/2012 Balance b/d	9,000,000
1/5/2012 Bus 3 purchased	6,000,000
1/7/2012 Bus 4 purchased	8,000,000
1/10/2012 Bus 5 purchased	7,500,000

#### Cr Buses Account

30/6/2012 Bus 2 disposed	5,000,000
1/10/2012 Bus 4 traded-in	8,000,000

Closing balance at 31/12/2012 = 17,500,000

#### (ii) Accumulated Depreciation Account

##### Dr Accumulated Depreciation Account

30/6/2012 Bus 2 disposal (transferred)	3,800,000
1/10/2012 Bus 4 disposal (traded-in)	400,000

##### Cr Accumulated Depreciation Account

##### Depreciation:

Bus 1 (whole year)	800,000
Bus 2 (6 months)	500,000
Bus 3 (8 months)	800,000
Bus 4 (3 months)	400,000
Bus 5 (3 months)	450,000

Total credit side = 2,950,000

Closing balance =  $2,950,000 - (3,800,000 + 400,000) = (1,250,000)$  Dr (negative balance reflects more write-off due to disposals)

(iii) Buses Disposal Account

Dr Buses Disposal Account

Bus 2 cost	5,000,000
Bus 4 cost	8,000,000

Cr Buses Disposal Account

Accumulated depreciation – Bus 2	3,800,000
Insurance claim received (Bus 2)	2,500,000
Accumulated depreciation – Bus 4	400,000
Trade-in allowance (Bus 4)	6,000,000

Profit/Loss:

Loss on disposal Bus 2 =  $5,000,000 - (3,800,000 + 2,500,000) = \text{profit } 1,300,000$

Gain on trade-in Bus 4 =  $8,000,000 - (400,000 + 6,000,000) = \text{loss } 1,600,000$

Net Loss on disposal = 300,000

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SECTION B

5. Identify the accounts affected by the following transaction and show the action to be taken in recording the accounts in the double entry system.

(i) A debtor S Kaijage paid us in cash

Debit: Cash account

Credit: S Kaijage (Debtors account)

(ii) Received rent paid in cash

Debit: Cash account

Credit: Rent income account

(iii) Owner withdraws cash from business for personal use

Debit: Drawings account

Credit: Cash account

(iv) Paid commission by cheque

Debit: Commission expense account

Credit: Bank account

(v) Bought furniture on credit from G Opio

Debit: Furniture account

Credit: G Opio (Creditors account)

(vi) Sold goods receiving payment in cash

Debit: Cash account

Credit: Sales account

(vii) Bought goods paying in cash

Debit: Purchases account

Credit: Cash account

(viii) Sold goods on credit to S Kaijage

Debit: S Kaijage (Debtors account)

Credit: Sales account

(ix) Some of the goods bought from G Opio were returned back to him for default reasons

Debit: G Opio (Creditors account)

Credit: Purchases returns account

(x) S Kaijage returned to us some of the goods bought, as they were in excess of his order

Debit: Sales returns account

Credit: S Kaijage (Debtors account)

6. The following balances were extracted from the books of Machungwa Machachu, a sole trader for the year ending 30th September, 2012.

Using the above information, prepare Income Statement for the year ending 30th September, 2012 as well as Statement of Financial Position as on that date.

Answer:

## INCOME STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER, 2012

Sales	6,669,600
Less: Returns Inwards	(108,300)
Net Sales	6,561,300

### Less: Cost of Sales

Opening Stock	1,900,200
Purchases	3,141,600
Less: Returns Outwards	(164,100)
Net Purchases	2,977,500
Goods Available for Sale	4,877,700
Less: Closing Stock	(1,320,000)
Cost of Sales	3,557,700

Gross Profit	3,003,600
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Add: Discount Received	127,800
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Total Income	3,131,400
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### Less: Operating Expenses

Wages and Salaries	1,410,000
Lighting & Power (141,600 - 35,400)	106,200
Rates (74,400 - 19,200)	55,200
Insurance (180,000 - 3,000)	177,000

Stationery	46,800
Motor Running Expenses	199,500
Postage & Telephone	40,800
Sundry Expenses	19,200
Bad Debts Written Off	21,600
Increase in Provision for Doubtful Debts:	
10% of 1,356,000 = 135,600	
Less: Existing Provision = 115,800	
Increase	19,800
Depreciation:	
Motor Vehicles (20% of 4,800,000)	960,000
Office Buildings (5% of 1,950,000)	97,500
Fixtures & Fittings (10% of 432,000)	43,200
Drawings – ¼ of lighting & power	35,400
Total Expenses	3,231,200
Net Loss	(99,800)

#### STATEMENT OF FINANCIAL POSITION AS AT 30TH SEPTEMBER, 2012

##### Assets

##### Non-Current Assets:

Office Building (1,950,000 - 97,500)	1,852,500
Motor Vehicles (4,800,000 - 960,000)	3,840,000
Fixtures & Fittings (432,000 - 43,200)	388,800



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Total Non-Current Assets	6,081,300

Current Assets:

Closing Stock	1,320,000
Debtors	1,356,000
Less: New Provision (135,600)	(1,220,400)
Cash at Bank	792,300
Cash in Hand	42,600
Prepaid Rates	19,200
Prepaid Insurance	3,000

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Total Current Assets	3,397,500

Total Assets	9,478,800
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Capital:

Opening Capital	900,000
Add: Net Loss	(99,800)
Less: Drawings (900,000 + 35,400)	(935,400)
Adjusted Capital	764,800

Current Liabilities:

Creditors	1,626,600
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Total Liabilities and Capital	9,478,800
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6. The following balances were extracted from the books of Machungwa Machachu, a sole trader for the year ending 30th September, 2012.

[Full values and adjustments copied from image]

Using the above information, prepare Income Statement for the year ending 30th September, 2012 as well as Statement of Financial Position as on that date.

Answer:

#### INCOME STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER, 2012

Sales	6,669,600
Less: Returns Inwards	(108,300)
Net Sales	6,561,300
Less: Cost of Sales	
Opening Stock	1,900,200
Purchases	3,141,600
Less: Returns Outwards	(164,100)
Net Purchases	2,977,500
Goods Available for Sale	4,877,700
Less: Closing Stock	(1,320,000)
Cost of Sales	3,557,700

Gross Profit	3,003,600
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Add: Discount Received	127,800
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Total Income	3,131,400
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Less: Operating Expenses

Wages and Salaries	1,410,000
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Lighting & Power (141,600 - 35,400)	106,200
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Rates (74,400 - 19,200)	55,200
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Insurance (180,000 - 3,000)	177,000
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Stationery	46,800
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Motor Running Expenses	199,500
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Postage & Telephone	40,800
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Sundry Expenses	19,200
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Bad Debts Written Off	21,600
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Increase in Provision for Doubtful Debts:

10% of 1,356,000 = 135,600

Less: Existing Provision = 115,800

Increase	19,800
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Depreciation:

Motor Vehicles (20% of 4,800,000)	960,000
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Office Buildings (5% of 1,950,000)	97,500
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Fixtures & Fittings (10% of 432,000)	43,200
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Drawings – ¼ of lighting & power	35,400
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Total Expenses	3,231,200
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Net Loss	(99,800)
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STATEMENT OF FINANCIAL POSITION AS AT 30TH SEPTEMBER, 2012

Assets

Non-Current Assets:

Office Building (1,950,000 - 97,500)	1,852,500
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Motor Vehicles (4,800,000 - 960,000)	3,840,000
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Fixtures & Fittings (432,000 - 43,200)	388,800
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Total Non-Current Assets	6,081,300
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Current Assets:

Closing Stock	1,320,000
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Debtors	1,356,000
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Less: New Provision (135,600)	(1,220,400)
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Cash at Bank	792,300
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Cash in Hand	42,600
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Prepaid Rates	19,200
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Prepaid Insurance	3,000
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Total Current Assets	3,397,500
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Total Assets	9,478,800
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Capital:

Opening Capital	900,000
Add: Net Loss	(99,800)
Less: Drawings (900,000 + 35,400)	(935,400)
Adjusted Capital	764,800

Current Liabilities:

Creditors	1,626,600
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Total Liabilities and Capital	9,478,800
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