

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: 2020

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. Brief explanations:

(a) Revenue

The income earned by a business through its operations, such as sales of goods or services.

(b) Expense

The cost incurred in the process of earning revenue, such as salaries, rent, or utilities.

(c) Prepayment

An amount paid in advance for goods or services to be received in the future, recorded as an asset until used.

(d) Accrual

An expense or income recognized in the books before it is paid or received, based on the matching principle.

2. Savana Investment Ltd

Depreciation = 10% on original cost

2017:

Plant 1 = 1,000,000 → Depreciation = 100,000

Plant 2 = Purchased on 1st July for 500,000

Half-year depreciation = $500,000 \times 10\% \times 6/12 = 25,000$

Total depreciation 2017 = 125,000

2018:

Plant 1 = used for 6 months → $1,000,000 \times 10\% \times 6/12 = 50,000$

Plant 2 full year → $500,000 \times 10\% = 50,000$

Total depreciation = 100,000

Plant Disposal Account:

Cost = 1,000,000

Depreciation = 100,000 (2017) + 50,000 (2018) = 150,000

NBV = 850,000

Sold for 400,000 → Loss = 450,000

3. Double Column Cash Book for K. Potter (Bank & Cash)

01 Jan:

Bank Dr 9,000,000 – Capital

04 Jan:

Cash Dr 180,000 – Sales

10 Jan:

Debtors (T. Monk) – Dr 590,000 – Credit sale

12 Jan:

Cash Dr 210,000 – Sales

21 Jan:

Bank Cr 550,000 – Machinery purchase

29 Jan:

Bank Cr 860,000 – Paid T. Wood

30 Jan:

Bank Dr 300,000 – Received from T. Monk

31 Jan:

Cash Cr 170,000 – Paid K. Young

Sales = 180,000 + 210,000 + 590,000 = 980,000

Purchases = 900,000 + 250,000 + 190,000 = 1,340,000

Goods returned by T. Monk = 140,000

Goods returned to T. Wood = 40,000

Goods returned to K. Young = 80,000

4. Government Stock Account – 10% Investment

1st Feb 2018:

Bought 120,000 nominal at 90 = 108,000

Interest excluded, no interest paid

1st May 2018:

Bought 80,000 at 92 = 73,600

Includes interest

Interest = $10\% \times 80,000 \times \frac{1}{4} = 2,000$

Cost = 73,600 – 2,000 = 71,600

1st Nov 2018:

Sold 100,000 at 96 = 96,000

Excludes interest

Interest earned:

31 March – none

30 June – on 120,000 = 3,000

30 Sept – on 200,000 = 5,000

31 Dec – on 100,000 = 2,500

Total = 10,500

5. Mcheza Kwao – Income Statement for the year ended 31st March 2019

Sales = 15,050,000

Less: Returns (not shown, assumed nil)

Net sales = 15,050,000

Opening stock = 1,630,000

Add: Purchases = 8,000,000

Add: Carriage on sales = 150,000

Add: Freight = 200,000

Add: Customs duty = 300,000

Goods available = 10,280,000

Less: Closing stock = 1,490,000

COGS = 8,790,000

Gross profit = 15,050,000 – 8,790,000 = 6,260,000

Operating expenses:

Salaries = 600,000

Wages = 200,000 (after adjusting 50,000 added to machinery)

Repairs = 200,000

Add: Provision for repairs = 150,000

Rent = 300,000

Sundry = 320,000

Postage = 150,000

Advertising = 540,000

Depreciation:

Land = 2,000,000 × 3% = 60,000

Machinery = (5,000,000 + 1,000,000 + 50,000) × 10% × 6/12 = 305,000

Furniture = 400,000 × 5% = 20,000

Provision for depreciation total = 385,000

Outstanding expenses = 155,000

Total = 3,420,000

Net profit = 6,260,000 – 3,420,000 = 2,840,000

Add interest due from Kareem = 9% of 500,000 = 45,000

Adjusted net profit = 2,885,000

Statement of Financial Position:

Assets:

Land = 2,000,000 – 60,000 = 1,940,000

Machinery = 6,050,000 – 305,000 = 5,745,000

Furniture = 400,000 – 20,000 = 380,000

Stock = 1,490,000

Debtors = 2,000,000

Bank = 335,000

Prepaid insurance = 300,000

Interest receivable = 45,000

Total = 12,235,000

Liabilities:

Creditors = 800,000

Outstanding expenses = 155,000

Provision for repairs = 600,000 + 150,000 = 750,000

Capital = 8,000,000 + Profit 2,885,000 = 10,885,000

Total = 12,590,000

6. Mwanza Branch Accounts

(a) Branch Stock

Opening = 600,000

Goods received = 1,860,000

Returns = (130,000)

Closing = (540,000)

COGS at invoice = 1,790,000

Cost = $1,790,000 \times 100 \div 150 = 1,193,333$

Profit = 596,667

Loading adjustment = 596,667

(b) Branch Debtors:

Opening = 120,000

Credit sales = 860,000

Returns = (12,000)

Discounts = (24,000)

Bad debts = (40,000)
Receipts = (900,000)
Closing = 4,000

(c) Branch Expenses:

Paid by H.O:
Rent = 24,000
Salaries = 240,000
Petty cash = 10,000
Total = 274,000

(d) Branch Income Statement:

Sales: 1,040,000
Cost (as above): 1,193,333
Gross profit = 1,040,000 – 1,193,333 = (153,333) – Loss
Add: Returns adjustment and discounts (reduce loss)
Returns = 130,000
Adjust gross profit = (23,333)
Less: Expenses = 274,000
Net loss = (297,333)

7(a) Ratios for Nyassani Ltd for 2017 and 2018:

(i) Gross profit margin = $\text{Gross profit} \div \text{Sales} \times 100$

2017: $50,000 \div 200,000 \times 100 = 25.00$ percent

2018: $70,000 \div 280,000 \times 100 = 25.00$ percent

(ii) Inventory turnover = $\text{Cost of sales} \div \text{Average inventory}$

2017: $\text{Average inventory} = (50,000 + 20,000) \div 2 = 35,000$

$150,000 \div 35,000 = 4.29$ times

2018: $\text{Average inventory} = (20,000 + 30,000) \div 2 = 25,000$

$210,000 \div 25,000 = 8.40$ times

(iii) Net profit margin = $\text{Net profit} \div \text{Sales} \times 100$

2017: $10,000 \div 200,000 \times 100 = 5.00$ percent

2018: $20,000 \div 280,000 \times 100 = 7.14$ percent

(iv) Quick ratio = $(\text{Receivables} + \text{Bank}) \div \text{Current liabilities}$

2017: $(25,000 + 0) \div (15,000 + 10,000) = 25,000 \div 25,000 = 1.00$

2018: $(28,000 + 63,000) \div (12,000 + 12,000) = 91,000 \div 24,000 = 3.79$

(v) Current ratio = Current assets ÷ Current liabilities

2017: $(20,000 + 25,000) \div 25,000 = 45,000 \div 25,000 = 1.80$

2018: $(30,000 + 28,000 + 63,000) \div 24,000 = 121,000 \div 24,000 = 5.04$

(vi) Return on Capital Employed = Net profit ÷ Capital employed × 100

Capital employed = Net assets = 105,000 (2017), 141,000 (2018)

2017: $10,000 \div 105,000 \times 100 = 9.52$ percent

2018: $20,000 \div 141,000 \times 100 = 14.18$ percent

(vii) Interest cover = Profit before interest ÷ Interest

2017: $(10,000 + 200,000) \div 200,000 = 210,000 \div 200,000 = 1.05$ times

2018: $(20,000 + 40,000) \div 40,000 = 60,000 \div 40,000 = 1.50$ times

(viii) Debtors collection period = (Receivables × 365) ÷ Sales

2017: $(25,000 \times 365) \div 200,000 = 45.63$ days

2018: $(28,000 \times 365) \div 280,000 = 36.50$ days

7(b) Performance comparison:

- Net profit margin improved from 5.00% to 7.14%, indicating better cost control and efficiency.

- Return on capital employed increased from 9.52% to 14.18%, showing improved return on shareholders' funds.

Overall, Nyassani Ltd performed better in 2018, with increased profitability, better return on capital, stronger liquidity (as shown in quick and current ratios), and faster debtor collections.

8. Journal Entries to correct the errors:

(a) Motor vehicle purchase wrongly debited to maintenance

Dr Motor Vehicles 150,000

Cr Vehicle Maintenance 150,000

Depreciation (20% of 150,000) = 30,000

Dr Depreciation Expense 30,000

Cr Accumulated Depreciation 30,000

(b) Sales day book correct, personal account under-credited by TZS 20,000 – credited only 0

Dr Suspense 20,000

Cr Ramson 20,000

(c) Machinery purchased for 250,000 not recorded

Dr Machinery 250,000

Cr Bank 250,000

Depreciation (10% for 6 months) = $250,000 \times 10\% \times 6/12 = 12,500$

Dr Depreciation Expense 12,500

Cr Accumulated Depreciation 12,500

(d) Credit sale of 60,000 not posted to personal account

Dr Suspense 60,000

Cr Ramesh 60,000

(e) Sales account overcast by 50,000

Dr Sales 50,000

Cr Suspense 50,000

(f) Credit sale of 75,000 entered as purchase

Dr Suspense 75,000

Cr Purchases 75,000

(g) Cash from Jibe posted as 12,500 instead of 125,000

Error = $125,000 - 12,500 = 112,500$

Dr Suspense 112,500

Cr Jibe 112,500

(h) Cash paid 375,000 credited as 573,000

Error = 198,000

Dr Tebejo 198,000

Cr Suspense 198,000

(i) Discounts received 126,000 posted to allowed

Dr Discount Allowed 126,000

Cr Discounts Received 126,000

(j) Sale of 275,000 posted to Capital as 725,000

Error = $725,000 - 275,000 = 450,000$

Dr Capital 450,000

Cr Suspense 450,000

Suspense Account:

Dr Side:

(b) 20,000

(d) 60,000

(f) 75,000

(g) 112,500

Total Dr = 267,500

Cr Side:

(e) 50,000
(h) 198,000
(j) 450,000
Total Cr = 698,000

Suspense balance = Cr 698,000 – Dr 267,500 = Cr 430,500