

**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: 2022**

**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 describe the following accounting principles:

(a) Objectivity

This principle requires accounting records and financial statements to be based on verifiable evidence such as receipts, invoices, and documents, not personal opinions or bias.

(b) Prudence

This principle ensures that liabilities and expenses are recorded as soon as they are foreseen, while revenues are recognized only when they are realized. It prevents overstatement of profits.

(c) Substance over form

This principle emphasizes that transactions should be recorded based on their economic substance rather than their legal form. It reflects the true nature of transactions.

(d) Materiality

Only information that would influence the decision of a reasonable user of financial statements should be included. Minor details can be ignored if they do not affect the overall understanding.

2. Prepare the Rent Revenue Account and Advertisement Expense Account

Rent Revenue Account:

Cash received during the year = 5,430,000

Opening rent receivable (2019) = 180,000

Closing rent receivable (2020) = 245,000

Opening unearned revenue (2019) = 220,000

Closing unearned revenue (2020) = 82,000

Rent revenue for the year =

Cash received

+ Closing rent receivable

+ Opening unearned rent

– Opening rent receivable

– Closing unearned rent

= 5,430,000 + 245,000 + 220,000 – 180,000 – 82,000

= 5,633,000

Advertisement Expense Account:

Accrual basis expense for 2020 = 3,210,000

Opening prepaid = 268,000

Closing prepaid = 320,000

Opening accrued = 392,200

Closing accrued = 145,000

Cash paid =

Accrual expense

+ Opening prepaid

– Closing prepaid

– Opening accrued

+ Closing accrued

= 3,210,000 + 268,000 – 320,000 – 392,200 + 145,000

= 2,910,800

Therefore:

Rent revenue for income statement = 5,633,000

Advertisement cash paid in 2020 = 2,910,800

3. Prepare the 12% Treasury Stock Investment Account for the financial years ending 31st December, 2019 and 2020.

March 1st, 2019:

Bought TZS 60,000 nominal for TZS 63,480 ex-interest

Investment = 63,480

No interest included

June 1st, 2019:

Bought TZS 80,000 nominal for TZS 83,600 cum-interest

Interest from 31st March to 1st June = 2 months

Accrued interest =  $12\% \times 80,000 \times 2/12 = 1,600$

Cost of investment =  $83,600 - 1,600 = 82,000$

November 1st, 2019:

Sold TZS 35,000 nominal for TZS 39,820 cum-interest

Interest from 30th Sept to 1st Nov = 1 month

Accrued interest =  $12\% \times 35,000 \times 1/12 = 350$

Sale value of investment =  $39,820 - 350 = 39,470$

Calculate gain or loss by comparing with cost (F.I.F.O. basis)

May 1st, 2020:

Bought TZS 40,000 nominal for TZS 44,860 cum-interest

Interest from 31st March to 1st May = 1 month

Accrued interest =  $12\% \times 40,000 \times 1/12 = 400$

Cost of investment =  $44,860 - 400 = 44,460$

September 1st, 2020:

Sold TZS 145,000 nominal for TZS 154,800 ex-interest

No accrued interest included

Sale value = 154,800

Cost is based on FIFO

Interest received in 2019:

March purchase → half-yearly interest for Sept =  $12\% \times 60,000 \times 6/12 = 3,600$

June purchase → interest for Sept =  $12\% \times 80,000 \times 3/12 = 2,400$

Total = 6,000

Interest received in 2020:

From May and previous holdings → include full 6 months if held at 31st March and 30th Sept

Calculate based on actual holdings after disposal

#### 4. Prepare the Provision for Depreciation on Plants Account and Plants Disposal Account

Depreciation rate = 20% reducing balance method

Opening balance of Plant = TZS 2,800,000

Opening provision = TZS 800,000

Year 2017

Opening NBV = 2,800,000

Depreciation =  $20\% \times 2,800,000 = 560,000$

Year-end NBV = 2,240,000

Year 2018

Depreciation =  $20\% \times 2,240,000 = 448,000$

NBV = 1,792,000

Year 2019

Depreciation =  $20\% \times 1,792,000 = 358,400$

NBV = 1,433,600

Year 2020

Depreciation =  $20\% \times 1,433,600 = 286,720$

NBV = 1,146,880

Provision for Depreciation Account:

2017: 560,000

2018: 448,000

2019: 358,400

2020: 286,720  
Total = 1,653,120

Plants Disposal Account:

Plant sold (originally purchased at 300,000)  
Year 2017 depreciation = 60,000  
NBV = 240,000  
Sold for 240,000 → no gain/loss

All items of Plant sold at end of 2020 for TZS 3,000,000  
Total book value = 2,800,000  
Total depreciation = 1,653,120  
NBV = 1,146,880  
Profit on disposal = 3,000,000 – 1,146,880 = 1,853,120

5. Prepare the following accounts for Zefani Ltd Branch for the year ended 31st December 2019

(a) Branch Stock Account (at invoice price and cost price)

Opening stock at invoice price = 80,000  
Goods sent = 500,000  
Add returns from branch to H.O = 30,000  
Less: Returns from H.O to branch = (10,000)  
Less: Closing stock = (140,000)  
Goods available = 460,000  
Invoice price to cost =  $100 \div 125 = 0.8$   
Total cost =  $460,000 \times 0.8 = 368,000$

(b) Goods Sent to Branch Account

Total goods sent = 500,000  
Less: Goods returned = (30,000)  
Net goods sent = 470,000

(c) Branch Debtors Account

Opening Debtors = 70,000  
Add: Credit sales = 450,000  
Less: Cash received = (395,000)  
Less: Returns inwards = (15,000)  
Less: Discounts = (15,000)  
Closing Debtors = 95,000

(d) Branch Income Statement for year ended 31st Dec 2019

Sales (credit) = 450,000  
Less: Returns = (15,000)  
Net sales = 435,000  
Cost of goods sold =  
Opening stock (80,000)  
+ Net goods from H.O (500,000 - 30,000 + 10,000 = 480,000)  
– Closing stock (140,000)  
= 420,000  
Cost at cost price = 420,000 × 0.8 = 336,000  
Gross profit = 435,000 – 336,000 = 99,000  
Less: Expenses = 25,000  
Net profit = 74,000

6. Prepare Harun Adams Income Statement for the year ended 31st December 2019

Sales = 124,450,000  
Less: Returns inward = (860,000)  
Net Sales = 123,590,000  
  
Opening Stock = 8,500,000  
Add: Purchases = 86,046,000  
Less: Returns outward = (135,000)  
Cost of goods available = 94,411,000  
Less: Closing Stock = (7,550,000)  
COGS = 86,861,000  
Add: Wages (as per (f)) = 8,200,000  
Total COGS = 95,061,000  
Gross profit = 123,590,000 – 95,061,000 = 28,529,000

Less: Expenses  
Bad Debts = 256,000  
Add: Increase in provision  
Debtors = 20,280,000 × 5% = 1,014,000  
Old provision = 740,000  
Increase = 274,000  
Total Bad Debts = 530,000  
Bank charges = 120,000  
Depreciation on Furniture = 8,000,000 × 5% = 400,000  
Depreciation on Plant = 5,500,000 × 10% = 550,000

Rent = 2,000,000 – 250,000 prepaid = 1,750,000

Salaries = 3,500,000

Gas, water = 2,566,000

Carriage outward = 540,000

Printing = 2,400,000

Travelers' Salaries = 640,000

Discounts = 90,000 (138,000 – 48,000 received)

Total Expenses = 12,596,000

Net profit = 28,529,000 – 12,596,000 = 15,933,000

7. Prepare the Income Statement and Statement of Financial Position of Kangaroo Ventures for the year ended 31st March 2020

Inventory at start = 21,000,000

Inventory at end = 15,000,000

Inventory reduced by 6,000,000

Inventory Turnover = 10

COGS = 10 × average inventory

Average inventory = (21,000,000 + 15,000,000) ÷ 2 = 18,000,000

COGS = 180,000,000

Gross profit margin = 25% of sales

So:

Sales = COGS ÷ (1 – 0.25) = 180,000,000 ÷ 0.75 = 240,000,000

Gross profit = 240,000,000 – 180,000,000 = 60,000,000

Net profit margin = 9%

Net profit = 9% × 240,000,000 = 21,600,000

Sundry expenses = 38,400,000

Net profit = Gross profit – expenses

So: 60,000,000 – 38,400,000 = 21,600,000, verified

Net capital employed = Sales ÷ 166.67% = 240,000,000 ÷ 1.6667 ≈ 144,000,000

Non-current assets = 45% of sales = 0.45 × 240,000,000 = 108,000,000

Current liabilities = Let CL = x

Current assets = 4x

Acid test ratio = (Bank + Debtors) ÷ CL = 2.75

Let CL = x

Then: (Bank + Debtors) = 2.75x

Inventory = 15,000,000

So: Current assets = Inventory + Debtors + Bank = 15,000,000 + 2.75x = 4x

Then:  $2.75x = 4x - 15,000,000$   
 $1.25x = 15,000,000 \rightarrow x = 12,000,000$   
Current liabilities = 12,000,000  
Current assets =  $4 \times 12,000,000 = 48,000,000$   
Bank + Debtors =  $2.75 \times 12,000,000 = 33,000,000$   
Debtors collection period = 36.5 days  
Accounts receivable =  $36.5 \div 365 \times 240,000,000 = 24,000,000$   
Bank =  $33,000,000 - 24,000,000 = 9,000,000$

Statement of Financial Position as at 31st March 2020

Capital = 144,000,000  
Non-current assets = 108,000,000  
Current assets:  
Inventory = 15,000,000  
Debtors = 24,000,000  
Bank = 9,000,000  
Total current = 48,000,000  
Total assets = 156,000,000  
Current liabilities = 12,000,000  
Net assets = 144,000,000

8(i) Prepare Journal entries to correct the errors

(a) Sales day book overcast by TZS 35,000

Dr Sales 35,000

Cr Suspense 35,000

(b) Discounts allowed undercast by TZS 10,000

Dr Suspense 10,000

Cr Discounts Allowed 10,000

(c) Fixtures bought not posted to Fixtures account

Dr Fixtures 85,000

Cr Suspense 85,000

(d) Credit purchases not posted to personal account

Dr Suspense 16,600

Cr Creditors 16,600

(e) Cheques paid to creditors debited to Drawings

Dr Creditors 49,000

Cr Drawings 49,000

Suspense Account

Dr side:

Discounts undercast 10,000

Creditors not posted 16,600

Sales overcast 35,000

Total = 61,600

Cr side:

Fixtures not posted 85,000

Total = 85,000

Balance =  $85,000 - 61,600 = 23,400$

Suspense account closes by

Dr Suspense 23,400

Cr Creditors 23,400

8(ii) Kidao's Corrected Trial Balance as at 30th April 2020

Sales =  $8,705,000 - 35,000 = 8,670,000$

Discounts =  $30,500 + 10,000 = 40,500$

Fixtures =  $1,000,000 + 85,000 = 1,085,000$

Creditors =  $504,500 + 16,600 + 23,400 = 544,500$

Drawings =  $452,000 + 49,000 = 501,000$

Remove suspense = 0