

**THE UNITED REPUBLIC OF TANZANIA
NATIONAL EXAMINATIONS COUNCIL OF TANZANIA
ADVANCED CERTIFICATE OF SECONDARY EDUCATION
EXAMINATION**

153/1

ACCOUNTANCY 1
(For Both School and Private Candidates)

Time: 3 Hours

Year: 2023

Instructions

1. This paper consists of sections A and B with a total of **eight (8)** questions.
2. Answer **all** questions in section A and **three (3)** questions from section B.
3. Each question in section A carries **ten (10)** marks and in section B **twenty (20)** marks.
4. Workings must be shown clearly and submitted.
5. Non programmable calculators may be used.
6. All writing must be in **blue** or **black** ink **except** drawing which must be in pencil.
7. Cellular phones and any unauthorised materials are **not** allowed in the examination room.
8. Write your **Examination Number** on every page of your answer booklet(s).



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SECTION A (40 Marks)

Answer **all** questions in this section. Each question carries **ten (10)** marks.

1. Briefly describe the following accounting terms:
 - (a) Reserve
 - (b) Provision
 - (c) Revenue reserve
 - (d) Capital reserve

2. For each of the following cases, state which of the basic accounting concepts or conventions is being violated?
 - (a) Punching machine having a life of 4 years acquired by a small business for TZS 1,000 is debited to office equipment account.
 - (b) The proprietor of the business withdraws cash from a business bank account for payment of his personal purchases.
 - (c) Office furniture is recorded in the books of account at its estimated realizable value which is lower than its acquisition cost.
 - (d) While preparing the statement of financial position of a business, the management of the business is not certain whether 5 per cent of the accounts receivable will be collected or not, yet the accounts receivable are shown in full.
 - (e) Machinery sold under hire purchase agreement and delivered to a purchaser is shown in the statement of financial position of the vendor.

3. The financial statements of Sikinde Ltd for the year ended 31st December 2020 showed a net profit for the year of TZS 782,630. During the subsequent audit, the following errors and omissions were discovered:
 - (a) Trade debtors were shown as TZS 52,100. However;
 - (i) Bad debts of TZS 6,100 had not been written off.
 - (ii) The existing provision for doubtful debts of TZS 1,300 should have been adjusted to 2% of debtors.
 - (iii) A provision of 2% for discounts on debtors should have been made.
 - (b) No adjustment had been made for insurance prepaid at 31st December 2020, TZS 4,910.
 - (c) Credit purchase of TZS 17,620 had been correctly entered in the general ledger but debited to supplier's account.
 - (d) Inventory items worth TZS 21,710 had been omitted from closing stock.

- (e) At 31st December 2020 an accrual of TZS 5,430 for electricity charges and insurance prepayment of TZS 1,620 had been omitted.

Prepare Journal entries to correct the errors.

4. The summarized financial statements of Misunah Enterprises for the year ended 31st December 2020 were as follows:

Misunah Enterprises Income statement for the year ended 31st December, 2020

Details	TZS
Sales	520,000
Less: Cost of sales	<u>380,000</u>
Gross profit	140,000
Less: Operating expenses	83,000
Net profit	<u>57,000</u>

Misunah Enterprises Statement of Financial Position as at 31st December, 2020

Details	TZS
Non-current assets	270,000
Current assets:	
Stock	43,000
Debtors	12,000
Cash	15,000
Total assets	<u>340,000</u>
Capital and Liabilities:	
Capital	180,000
Add: retained profit	<u>57,000</u>
	237,000
Noncurrent Liabilities:	
10% Loan from TPB	60,000
Current liabilities:	
Creditors	43,000
Total capital and Liabilities	<u>340,000</u>

Additional information:

Stock on 1st January 2020 was TZS 51,000 and the only interest paid was on the TPB loan.

Use the information provided to calculate the following financial ratios:

- (a) Gross profit as a percentage of sales
 (b) Net profit as a percentage of sales

- (c) Net profit as a percentage of capital employed
- (d) Rate of Stock Turnover
- (e) Current ratio
- (f) Acid test ratio
- (g) Total assets turn over
- (h) Interest cover
- (i) Current assets turn over
- (j) Debtors collection period in number of days

SECTION B (60 Marks)

Answer **three (3)** questions from this section. Each question carries **twenty (20)** marks.

5. The following information was extracted from the accounting records of Siera Mobati for the year ended 31st December 2020:

Siera Mobati
Trial Balance as at 31st December, 2020

Details	Debit	Credit
Capital		750,000
Stock at 1 st January, 2020	75,000	
Plant and Machinery	750,000	
Motor Vehicles	240,000	
Provision for Depreciation on Motor vehicles		48,000
Purchases and Sales	1,080,000	1,800,000
Sales and Purchases Returns	120,000	60,000
Discounts	15,000	12,000
Wages and Salaries	120,000	
Carriage inwards	7,500	
Carriage outwards	9,000	
Postage and Telephone expenses	22,500	
Water and Electricity expenses	25,800	
Bad debts written off	4,500	
Provisions for doubtful debts		3,000
General expenses	25,500	
Rent and Rates	45,000	
Debtors and Creditors	165,000	139,800
Cash in hand	18,000	
Cash at Bank	90,000	
	<u>2,812,800</u>	<u>2,812,800</u>

Additional information:

- (a) Stock at 31st December, 2020 was valued at TZS 67,500.
- (b) Depreciation is to be charged at 10% on cost for plant and machinery and 20% on cost for motor vehicles.
- (c) At 31st December, 2020 prepaid rent and rates was TZS 3,000 and accrued general expenses amounted to TZS 9,000.
- (d) An outstanding electricity expense at 31st December, 2020 was TZS 1,800.
- (e) A provision for doubtful debts at 31st December, 2020 is to be increased by TZS 900.

Use the information provided to prepare Siera Mobati's Income Statement for the year ended 31st December, 2020 and the Statement of Financial Position as at 31st December, 2020.

6. Siena Ltd has a head office in Dar es Salaam and a branch at Manyara. Goods are purchased in Dar es Salaam and invoiced to and sold by the branch at cost plus 33 $\frac{1}{3}$ per cent. Other than a sales ledger which is kept at Manyara, all transactions are recorded in the books in Dar es Salaam.

The following information was extracted from the financial records of the Manyara branch for the year ended 31st December 2020:

Details	TZS
Stock on hand on 1 st January, 2020 at invoice price	44,000
Debtors on 1 st January 2020	39,460
Stock on hand at 31 st December, 2020 at invoice price	39,480
Goods sent to branch during the year at invoice price	248,000
Credit sales	210,000
Cash sales	24,000
Returns to head office at invoice price	10,000
Invoice value of goods stolen at the branch	6,000
Bad debts written off	1,480
Cash received from debtors	224,000
Normal loss due to wastage at invoice price	1,000
Cash discounts allowed to debtors	4,280

Use the given information to prepare the following accounts:

- (a) Branch Stock with two columns for recording the goods at invoice price and cost price respectively.
- (b) Branch Debtors.
- (c) Branch Income Statement for the year ended 31st December, 2020.

7. On 1st January, 2019 Mr White bought TZS 40,000 6% Government stock at 90. The cheque for TZS 36,800 was paid of which TZS 36,000 was for the stock and TZS 800 for brokerage charges. Interest is receivable each year on 31st March, 30th June, 30th September and 31st December.

On 28th February 2019, TZS 10,000 nominal value of the stock was sold for TZS 95,000 cum-int.

On 1st June 2019, TZS 20,000 nominal value of the stock was sold ex-int, the net proceeds after brokerage charges being TZS 171,000.

On 1st February 2020, TZS 50,000 nominal value was bought cum-int, the cost including brokerage being TZS 40,370.

On 1st June 2020, TZS 10,000 nominal value was bought ex-int, the cost including brokerage charges being TZS 91,000.

Use the information provided to prepare the 6% Government Stock Investment Account in the books of Mr White for the two years ended 31st December, 2019 and 2020.

8. Sayari Ltd was formed on 1st January, 2017 and the following purchases and sales of machinery were made during the first four years of operation:

Date acquired/Sold	Assets	Transaction	Price (TZS)
1 st January 2017	Machine A	Purchases	400,000
1 st October 2018	Machine B	Purchases	450,000
30 th June 2020	Machine A	Sale	326,000
1 st July 2020	Machine C	Purchases	600,000

Each machine was estimated to last for 10 years with a residual value of 5% of its cost price. The company uses diminishing balance method to calculate annual depreciation for machines used in the year.

Prepare the Machinery Account, Provision for Depreciation on Machinery Account for the four years ended 31st December 2017, 2018, 2019, 2020 and the Machinery Disposal Account.

