

**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: 2024**

**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. All writing must be in **blue** or **black** ink, **except** drawings which must be in pencil.
6. Non programmable calculators may be used.
7. Communication devices 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. Why accounting information is important to each of the following users?
  - (a) Creditors
  - (b) Customers
  - (c) Debt providers
  - (d) Tax authorities
  - (e) Financial analysts
  
2. The Trial Balance of Kieta Traders failed to agree on 31<sup>st</sup> December 2022. The debits exceeded the credits by TZS 23,800,000. Investigation of the accounting records for the year ended 31<sup>st</sup> December 2022 revealed the following errors:
  - (a) Sales had been over cast by TZS 1,500,000.
  - (b) Returns outwards account had not been credited with an amount of TZS 6,132,000.
  - (c) A payment by debtor of TZS 15,000,000 by a direct bank transfer had not been entered in the debtor's account.
  - (d) TZS 2,200,000 received from a debtor had been debited to his account.
  - (e) A cash purchase of TZS 232,000 had been recorded in the cash book only.
  - (f) A sale of goods worth TZS 125,000 to Adam had been omitted from the books.

Using the information provided, prepare Journal entries to correct the errors and prepare Suspense account.

3. The financial year of a company starts from 1<sup>st</sup> January to 31<sup>st</sup> December. On 1<sup>st</sup> January 2018, the company bought equipment for TZS 10,000,000. The company estimated that, the asset will be used for five years. After exactly two and a half years, the equipment was inefficient and the company decided to sell it for TZS 5,000,000. The company provides a full year's depreciation in the year of purchase using straight line method and no depreciation is charged in the year of disposal.

Use the information provided to prepare the Equipment, Provision for Depreciation on Equipment Accounts for the three years ending 31<sup>st</sup> December, 2018, 2019, 2020 and the Equipment Disposal Account for the year ending 31<sup>st</sup> December, 2020.

4. Minolta Ltd provides for doubtful debts at a rate of 2½ per cent of debtors. The debtors balances for each of the years ending 31<sup>st</sup> December 2020, 2021 and 2022 are as follows:

Year	TZS
2020	10,000,000
2021	20,000,000
2022	14,000,000

Using the information provided, prepare the Provision for Doubtful Debts Account, an extract of the Income Statement and the extract of the Statement of Financial Position for the three years ending 31<sup>st</sup> December 2020, 2021 and 2022.

## SECTION B (60 Marks)

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

5. The following Trial Balance and additional information has been extracted from the books of Suzan Kipanga for the year ending 31<sup>st</sup> December 2022.

### Suzan Kipanga's, Trial Balance as at 31<sup>st</sup> December, 2022

Name of Account	Dr (TZS)	Cr (TZS)
Inventory at 1 <sup>st</sup> January 2022	50,000,000	
Freehold premises	240,000,000	
Bills Receivable	30,000,000	
Purchases	280,000,000	
Salaries and wages	35,000,000	
Sales		520,000,000
Fixtures and fittings	25,000,000	
Discounts	7,500,000	4,500,000
Plant and machinery	140,000,000	
Rates	5,600,000	
Advertising	10,400,000	
Insurance	3,800,000	
General expenses	7,200,000	
Provision for doubtful debts		1,800,000
Sundry debtors and creditors	60,000,000	43,000,000
Bills payable		15,000,000
Cash in hand	2,400,000	
Bank overdraft		18,600,000
Drawings	6,000,000	
Capital		300,000,000
	<u>902,900,000</u>	<u>902,900,000</u>

Additional information:

- Provision for depreciation on plant and machinery at 10 per cent per annum and on fixtures and fittings at 15 per cent per annum.
- Increase the provision for doubtful debts to 4 per cent of sundry debtors.
- Prepaid insurance at 31<sup>st</sup> December, 2022 amounted to TZS 500,000.
- Accrued rates at 31<sup>st</sup> December, 2022 amounted to TZS 400,000.
- Inventory at 31<sup>st</sup> December, 2022 was valued at TZS 60,000,000.
- During the year to 31<sup>st</sup> December 2022, Suzan Kipanga took goods worth TZS 2,000,000 from the business for personal use.

Prepare Suzan Kipanga's Income Statement for the year ending 31<sup>st</sup> December, 2022 and her Statement of Financial Position as at 31<sup>st</sup> December, 2022.

6. Silicon Ltd has its head office in Dodoma and a branch at Korogwe. All goods are purchased by the head office and invoiced to branch at a fixed selling price of 25 per cent above cost. All sales, both by the head office and the branch are made at the fixed selling price. The following trial balance has been extracted from the accounting records of the head office as at 31<sup>st</sup> December, 2020:

<b>Details</b>	<b>DR (TZS)</b>	<b>CR (TZS)</b>
Capital		2,080,000
Drawings	69,600	
Purchases	4,935,200	
Sales		3,342,000
Goods sent to branch (at selling price)		2,250,000
Branch current account	982,000	
Fixed assets	1,320,000	
Debtors and Creditors	319,200	442,400
General expenses	338,800	
Bank	149,600	
<b>Total</b>	<b>8,114,400</b>	<b>8,114,400</b>

Additional information:

- No entries had been made in the head office books for cash in transit amounting to TZS 40,000 from the branch to head office at 31<sup>st</sup> December, 2020.
- When the balances were extracted from the branch books at 31<sup>st</sup> December, 2020, no entries had been made in the books of the branch for goods in transit amounting to TZS 36,800 (at selling price) from the head office to branch.

The following balances appeared in the branch books on 31<sup>st</sup> December, 2020:

<b>Details</b>	<b>TZS</b>
Fixed assets	240,000
General expenses	242,000
Debtors	281,600
Creditors (excluding head office)	65,200
Sales	2,068,000
Bank	60,800

When stock was taken on 31<sup>st</sup> December 2020, there was no shortage of goods at head office. The branch inventory taking revealed a shortage of goods worth TZS 12,000 at selling price.

In columnar form, prepare the income statement for the head office and branch, as they would appear if goods sent to branch had been invoiced at cost and the combined statement of financial position of Silicon Ltd as on 31<sup>st</sup> December, 2020.

7. Mr. Jommo is an investment dealer based in Arusha. The following information has been extracted from his books for the financial year ending 30<sup>th</sup> June, 2020. Use the information provided to prepare the 4 per cent Loan Stock Investment Account and the Equity Shares Investment Accounts in Hambo Ltd and Tembo Ltd in the books of Mr. Jommo for the year ending 30<sup>th</sup> June, 2020.

**2019:**

- July 1 Jommo purchased TZS 4,800,000 (4 per cent loan stock at 60<sup>1</sup>/<sub>2</sub> cum-interest). Interest is payable yearly on 1<sup>st</sup> February and 1<sup>st</sup> August.
- July 12 Jommo purchased 8,000 equity shares of TZS 100 each in Hambo Ltd for TZS 1,600,000.
- August 15 Hambo Ltd made a bonus issue of three equity shares for every two shares. Jommo sold 10,000 of the bonus shares for TZS 100 each.
- October 1 Jommo purchased 20,000 equity shares of TZS 100 each in Tembo Ltd at TZS 77.5 per cent each.

**2020:**

- January 2 Jommo sold TZS 1,200,000 (4 per cent Loan stock at 61 ex-interests).
- March 1 Jommo received dividend of 18 per cent on equity shares in Hambo Ltd.
- April 1 Tembo Ltd made a 'rights' issue of one share for every two held at TZS 50 per share. Jommo sold the rights for TZS 25 per share.
- June 1 Jommo received dividend of 12<sup>1</sup>/<sub>2</sub> per cent on shares in Tembo Ltd.
8. The Television broadcasting industry is rapidly growing in Tanzania. Recently, two leading companies have emerged in selling television equipments and connectivity. TEHAMA Ltd and Net Com Plc are the companies from which the reference is drawn. The following are financial statements of the two companies for the year ending 31<sup>st</sup> December, 2020:

**Income Statement for the Year Ending 31<sup>st</sup> December, 2020**

Details	TEHAMA Ltd		Net Com Plc	
	TZS	TZS	TZS	TZS
Sales		2,220,000		3,000,000
<b>Cost of sales:</b>				
Opening inventory	400,000		320,000	
Purchases	<u>800,000</u>		<u>1,280,000</u>	
	1,200,000		1,600,000	
Closing inventory	<u>240,000</u>	<u>960,000</u>	<u>280,000</u>	<u>1,320,000</u>
Gross profit		1,260,000		1,680,000
Depreciation	20,000		60,000	
Wages and salaries	660,000		880,000	
Miscellaneous expenses	<u>180,000</u>	<u>860,000</u>	<u>140,000</u>	<u>1,080,000</u>
Profit for the year		<u>400,000</u>		<u>600,000</u>

**Statement of Financial Position as at 31<sup>st</sup> December, 2020**

Details	TEHAMA Ltd		Net Com Plc	
	TZS	TZS	TZS	TZS
<b>Non-Current Assets:</b>			400,000	
TV equipments	200,000		<u>120,000</u>	280,000
Less: Provision for depreciation	<u>160,000</u>	40,000		
<b>Current Assets:</b>			280,000	
Inventory	240,000		400,000	
Accounts receivable	500,000		<u>50,000</u>	<u>730,000</u>
Bank	<u>100,000</u>	<u>840,000</u>		<u>1,010,000</u>
		<u>880,000</u>		
Capital		304,000		288,000
Net profit		<u>400,000</u>		<u>600,000</u>
		704,000		888,000
Less: Drawings		<u>240,000</u>		<u>280,000</u>
		464,000		608,000
<b>Current Liabilities:</b>				
Accounts payable		<u>416,000</u>		<u>402,000</u>
		<u>880,000</u>		<u>1,010,000</u>

(a) Use the information provided to calculate the following ratios:

- (i) Gross profit margin
- (ii) Net profit margin
- (iii) Expenses as a percentage of sales
- (iv) Inventory turnover
- (v) Rate of return on capital employed (use the average capital)
- (vi) Current ratio
- (vii) Acid test ratio
- (viii) Total assets turn over
- (ix) Accounts receivable collection period in months
- (x) Accounts payable payment period in months

(b) Which company seems to be the most profitable? Give five reasons to support your answer basing on Actual profit for the year, Net profit margin, Rate of return on capital employed, Inventory turn over and Accounts receivable collection period.