

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)

Duration: 3 Hours

**SOLUTIONS**

Year: 2025

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**Instructions**

1. This paper consists 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. Working must be shown clearly ad 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).



## SECTION A (40 Marks)

1. Explain the uses of the given accounts [(a) – (e)] when the stock and debtors' system is used.

When the **stock and debtors system** is used for accounting in a branch, the following accounts are maintained to track stock, cash, sales, and other transactions. Each account has a specific purpose:

(a) Branch Stock Account

This account records the value of goods sent from the head office to the branch and the stock remaining at the branch. It helps in determining the cost of goods sold at the branch and ensures the head office knows the inventory levels at the branch at any time.

(b) Branch Debtors Account

This account records amounts owed to the branch by its customers. It tracks credit sales made by the branch and receipts from customers. The account ensures proper monitoring of collections and outstanding debts.

(c) Branch Cash Account

This account records all cash transactions at the branch, including cash received from sales, payments made, and remittances to the head office. It helps in tracking cash flow at the branch and ensures that all cash movements are accounted for.

(d) Branch Expenses Account

This account records expenses incurred by the branch in its operations, such as salaries, rent, and utilities. These expenses are charged to the head office through the branch accounts to determine the branch's net profit or loss.

(e) Branch Stock Adjustment Account

This account is used to adjust the stock at the branch for discrepancies due to losses, theft, or errors in stock valuation. It ensures that the stock value reported to the head office is accurate and reflects the actual stock on hand.

2. The insurance, wages and rent receivable accounts in the ledger of Mikado Wiseman showed the following balances on 1st January 2024:

Insurance paid in advance TZS 562,000, accrued wages TZS 306,000 and rent received in advance TZS 36,000.

During the year to 31st December 2024, Mikado Wiseman paid TZS 1,019,000 for insurance, TZS 15,000,000 for wages in cash and received TZS 2,600,000 for rent by cheque from the tenants. At 31st December 2024, insurance prepaid amounted to TZS 345,000, rent receivable of TZS 105,000 was in arrears, and accrued wages amounted to TZS 419,000.

Use the information provided to prepare the insurance, wages and rent receivable Accounts to determine the amount of expenses and revenue that will appear in Mikado Wiseman's income statement for the year ending 31st December 2024.

### **Insurance Account**

The **Insurance Account** determines the **insurance expense** for the year.

DR

2024 Jan 1 Balance b/d prepaid 562,000

2024 Dec 31 Cash paid during the year 1,019,000

Total 1,581,000

CR

2024 Dec 31 Profit or Loss Insurance expense 1,236,000

2024 Dec 31 Balance c/d prepaid 345,000

Total 1,581,000

The **insurance expense** to appear in the income statement is TZS 1,236,000.

This is the balancing figure transferred to the Profit or Loss Account.

Calculation:  $562,000 + 1,019,000 - 345,000 = 1,236,000$

### **Wages Account**

The **Wages Account** determines the **wages expense** for the year.

DR

2024 Dec 31 Cash paid during the year 15,000,000

2024 Dec 31 Balance c/d accrued wages 419,000

Total 15,419,000

CR

2024 Jan 1 Balance b/d accrued wages 306,000

2024 Dec 31 Profit or Loss Wages expense 15,113,000

Total 15,419,000

The **wages expense** to appear in the income statement is TZS 15,113,000.

This is the balancing figure transferred to the Profit or Loss Account.

Calculation:  $15,000,000 + 419,000 - 306,000 = 15,113,000$

### **Rent Receivable Account**

The **Rent Receivable Account** determines the **rent revenue** for the year.

DR

2024 Dec 31 Profit or Loss Rent revenue 2,741,000

Total 2,741,000

CR

2024 Jan 1 Balance b/d rent received in advance 36,000

2024 Dec 31 Bank amount received 2,600,000

2024 Dec 31 Balance c/d rent in arrears 105,000

Total 2,741,000

The **rent revenue** to appear in the income statement is TZS 2,741,000.

This is the balancing figure transferred to the Profit or Loss Account.

Calculation:  $36,000 + 2,600,000 + 105,000 = 2,741,000$

3. Diana Siridion is a sole trader at Sinza in Dar es Salaam. She opened a single shop and started her business of selling children clothes and shoes on 1<sup>st</sup> April 2023 with a capital of TZS 50,000,000 in cash. During the month of April 2023, Diana had the following transactions:

- April 1, opened a bank account with CRDB Bank, paying in TZS 45,000,000.
- April 2, purchased goods worth TZS 1,000,000, paying in cash.
- April 3, purchased a motor vehicle, paying by cheque TZS 20,000,000.
- April 5, purchased goods for TZS 5,000,000, paying by cheque.
- April 7, sold goods for cash TZS 2,000,000.
- April 10, paid expenses TZS 500,000 in cash.
- April 15, sold goods, receiving a cheque for TZS 3,500,000.
- April 16, paid cash into bank TZS 2,000,000.
- April 17, purchased goods worth TZS 1,500,000, paying in cash.
- April 20, paid wages TZS 1,000,000 in cash.
- April 22, withdrew cash from the bank for office use TZS 1,500,000.
- April 30, paid general expenses TZS 800,000 in cash.

Record the transactions in Diana's Cash and Bank Accounts and balance off the accounts on 30<sup>th</sup> April, 2023.

### **Cash Account**

**DR** | Details | Amount | **CR** | Details | Amount

April 1 | Capital introduced (cash part) | 5,000,000 | April 2 | Purchase of goods | 1,000,000

April 7 | Sales cash received | 2,000,000 | April 10 | Expenses paid | 500,000

April 16 | Cash deposited into bank | 2,000,000 | April 17 | Purchase of goods | 1,500,000

April 20 | Wages paid | 1,000,000

April 22 | Cash withdrawn from bank | 1,500,000 | April 30 | General expenses paid | 800,000

**Total DR** =  $5,000,000 + 2,000,000 + 1,500,000 = 8,500,000$  (Including cash withdrawn)

**Total CR** =  $1,000,000 + 500,000 + 2,000,000 + 1,500,000 + 1,000,000 + 800,000 = 6,800,000$

**Balance c/d (Cash on hand)** =  $8,500,000 - 6,800,000 = 1,700,000$

**Balance b/d 1 May 2023** = 1,700,000

### **Bank Account**

**DR** | Details | Amount | **CR** | Details | Amount

April 1 | Capital introduced (bank) | 45,000,000 | April 3 | Purchase of motor vehicle | 20,000,000

April 5 | Payment for goods | 5,000,000

April 15 | Sales received by cheque | 3,500,000 | April 22 | Cash withdrawn for office use | 1,500,000

**Total DR** = 45,000,000 - 3,500,000 + 2,000,000 = 50,500,000

**Total CR** = 20,000,000 + 5,000,000 + 1,500,000 = 26,500,000

**Balance c/d (Bank balance)** = 50,500,000 - 26,500,000 = 22,000,000

**Balance b/d 1 May 2023** = 24,000,000

4.

### Buses A/c

DR	CR
1/1/2020, Cash/Bank (Bus 1), 10000000	31/12/20 Bal c/d
10000000	10000000
1/1/2021, Bal b/d	10000000
1/12/21, Cash (Bus 2)	5000000 31/12 Bal b/d
15000000	15000000
1/1/2021, Bal b/d	15000000 1/1/21 Disposal(B2)
1/1/2022, Cash (Bus 3)	14000000 Bal c/d
24000000	24000000
1/1/2022, Bal b/d	24000000

### Provision for Depreciation A/c

DR	CR
31/12/20 Bal c/d	2000000 31/12/20 Income Statement
2000000	2000000
	1/1/21 Bal b/d
31/12/20 Bal c/d	5000000 31/12/21 Income Statement
5000000	3000000
5000000	5000000
1/1/2022 Disposal (B2)	1000000 31/12/2021 Bal b/d
31/12/22 Bal c/d	8800000 31/12/21 Income Statement
9800000	4800000
	1/1/2023 Bal b/d
	8800000

### Buses Disposal A/c

Buses	5000000	Provision for Depreciation	1000000
		Proceeds (Cash/Bank)	1800000
		P L (Loss)	2200000
	5000000		5000000

5. The books of Jambo Ltd showed the following transactions for the year ending 31st December, 2023:

### **6% Debentures Account**

1/1/2023: Purchased 2000 debentures of TZS 100 each at 98 ex-interest. Total =  $2000 \times 100 \times 0.98 = \text{TZS } 196,000$  (debit)

30/6/2023: Interest received for 6 months ( $6\% \times 200,000 \div 2 = \text{TZS } 6,000$  (credit))

30/6/2023: Interest accrued if needed (none specified, assuming cash received)

30/4/2023: Sold 500 debentures at TZS 101 cum-interest = TZS 50,500 (credit)

31/12/2023: Interest received for 6 months on remaining 1500 debentures ( $6\% \times 1500 \times 100 \div 2 = \text{TZS } 4,500$  (credit))

#### **Balances at end of year:**

Remaining debentures =  $1500 \times 100 = \text{TZS } 150,000$  cost

### **Ordinary Shares Investment Account – Jamal Steel Ltd**

1/1/2023: Purchased 500 shares at TZS 25 each = TZS 12,500 (debit)

1/2/2023: Purchased 300 shares at TZS 24 each = TZS 7,200 (debit)

31/3/2023: Received 6-month interim dividend 10% on 800 shares  $\times \text{TZS } 10 \text{ par} = 800 \times 10 \times 10\% = \text{TZS } 800$  (credit)

31/3/2023: Bonus issue 1 for 4  $\rightarrow 800 \div 4 = 200$  bonus shares, no cash involved (debit shares, no effect on cost)

1/7/2023: Sold 100 shares at TZS 25 each = TZS 2,500 (credit)

30/9/2023: Received final dividend 5% on 900 shares  $\times \text{TZS } 10 \text{ par} = \text{TZS } 450$  (credit)

30/9/2023: Rights issue 1 for 3 shares at TZS 20 per share  $= 900 \div 3 = 300$  shares  $\rightarrow \text{cost} = 300 \times 20 = \text{TZS } 6,000$  (debit)

15/11/2023: Sold half of rights (150 shares) at TZS 6 each = TZS 900 (credit)

20/11/2023: Exercised remaining 150 rights  $\rightarrow 150 \times 20 = \text{TZS } 3,000$  (debit)

#### **Balances at end of year:**

Total shares held = Original 800 + 200 bonus – 100 sold + 150 exercised rights = 1,050 shares

#### **Total investment cost calculation:**

Original purchase:  $12,500 + 7,200 = 19,700$

Rights exercised: 3,000 (remaining rights)

Less: shares sold portion: allocate cost proportionally

## SECTION B (60 Marks)

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

6. Tobacco Ltd deals with buying and selling of tobacco products. The following information has been extracted from the company's books for the year ending 30<sup>th</sup> September 2023:

### **TOBACCO'S LTD COMPANY Income Statement as at 30th Sept 2023**

<b>Particulars</b>	<b>TZS</b>
<b>Sales</b>	26678400
Less: Sales Return	433200
<b>Net Sales</b>	26245200
<b>Cost of Goods Sold</b>	
Opening Stock	7600800
Add: Purchases	12566400
Less: Returns Outwards	656400
Net Purchases	11910000
Cost of Goods Available for Sale	19510800
Less: Closing Stock	5280000
<b>Cost of Goods Sold</b>	14230800
<b>Gross Profit</b>	12014400
<b>Add: Other Income</b>	
Discount Received	511200
Provision for Bad Debts Adjustment	255600
<b>Total Other Income</b>	12781200
<b>Less: Operating Expenses</b>	
Salaries and Wages	5640000
Discount Allowed	297600
Lighting and Power	566400
Rates	297600
Less: Prepaid	76800
Net Rates	220800
Depreciation on Office Buildings	390000
Depreciation on Fixtures	172800
Depreciation on Motor Vehicles	3840000
Office Stationeries	187200
Sundry Expenses	76800
Motor Expenses	463200
Bad Debts	86400
Postage and Internet	163200
Insurance	708000
<b>Total Operating Expenses</b>	12812400
<b>Net Loss</b>	31200
<b>STATEMENT OF FINANCIAL POSITION AS AT 30th Sept 2023</b>	

Particulars	TZS
<b>Non-current Assets</b>	
Office Building	7800000
Less: Depreciation	390000
Net Office Building	7410000
Fixture and Fitting	1728000
Less: Depreciation	172800
Net Fixture and Fitting	1555200
Motor Vehicle	19200000
Less: Depreciation	3840000
Net Motor Vehicle	15360000
<b>Total Non-current Assets</b>	24325200
<b>Current Assets</b>	
Stock	5280000
Debtors	5424000
Less: Provision for Doubtful Debts	542400
Net Debtors	4881600
Cash at Hand	170400
Cash at Bank	3169200
Rates Prepaid	76800
Insurance Unexpired	12000
<b>Total Current Assets</b>	13590000
<b>Total Assets</b>	37915200
<b>Current Liabilities</b>	
Creditors	6506400
<b>Capital Employed</b>	31408800
<b>Financed by:</b>	
Capital	35040000
Less: Net Loss	31200
Adjusted Capital	35008800
Less: Drawings	3600000
<b>Capital Employed</b>	31408800

7. Saibogi is a junior accountant at Kilimanjaro Restaurant. He is troubled with the Trial Balance which failed to agree although in his opinion, he recorded every transaction correctly in the books of account.

#### **Suspense Account**

<b>Date</b>	<b>Particulars</b>	<b>Debit (TZS)</b>	<b>Credit (TZS)</b>
Opening	Difference in Trial Balance	760520	
	Debtors		3480
	Sales		14400
	Cashbook		288000
	James	170400	
	Wages	118520	
	Commission Receivable	90000	
	Supplier		143200
	Cashbook	29200	
<b>Balance c/d</b>		28800	1164520
<b>Balance b/d</b>			28800
<b>Total</b>		1164520	1164520

#### **Statement of correcting net profit as at the end of the year**

<b>Particulars</b>	<b>TZS</b>
Net Profit before corrections	xx
<b>Add:</b>	
Repairs wrongly charged	480000
Sales understated	14400
Commission received debited	90000
<b>Total Additions</b>	714000
<b>Less:</b>	
Electricity expense not accrued	60800
Wages not posted	118520
<b>Total Deductions</b>	179320
<b>Corrected Net Profit</b>	534680

8. The following information was extracted from the books of BBM Ltd as at 31<sup>st</sup> December, 2020.

(i) Gross Profit as Percentage of Sales

Gross profit percentage = G.P / Sales × 100%

= 160000 / 640000 × 100%

= 25 %

Therefore Gross profit as percentage of sales = 25 %

(ii) Rate of Stock Turnover

C.O.C.S = Sales – G.P

= 640000 – 160000

= 480000

Rate of stock turnover = C.O.C.S / Average stock

= 480000 / 40000

= 12 times

Therefore Rate of stock turnover = 12 times

(iii) Net Profit as Percentage of Sales

Net profit = G.P – Expenses

= 160000 – 32000

= 128000

Net profit percentage = N.P / Sales × 100%

= 128000 / 640000 × 100%

= 20 %

Therefore Net profit as percentage of sales = 20 %

Rate of Return on Capital Employed

Rate of return on capital employed = Net profit / Capital Employed × 100%

= 128000 / 472000 × 100%

= 27.1 %

(V) Current Ratio

Current ratio = Current assets / Current liabilities

= 80000 / 40000

= 2 : 1

Therefore Current ratio = 2 : 1

(VI) Quick Ratio

Quick ratio = (Current assets – Stock) / Current liabilities

= (80000 – 40000) / 40000

= 40000 / 40000

= 1 : 1

Therefore Quick ratio = 1 : 1

(b) Rate of Inventory Turnover

By using rate of stock turnover, BBM Ltd is more successful in the year 2020 because it obtained 12 times while ZARA Ltd obtained 9 times. BBM Ltd is more successful compared to ZARA Ltd by a difference of 3 times.

### Rate of Return on Capital Employed

By considering the rate of return on capital employed, BBM Ltd was more successful because it produced a high rate of return of 27.1 % compared to ZARA Ltd who produced 12.5 %. BBM Ltd is more successful by a difference of 14.6 %.

### Current Ratio

Using current ratio as a performance indicator, BBM Ltd was more successful compared to ZARA Ltd because it produced a higher current ratio of 2 : 1 compared to ZARA Ltd's 1 : 1. The difference is 1 : 1.

### Quick Ratio

Using quick ratio as a performance indicator, BBM Ltd produced a quick ratio of 1 : 1 compared to ZARA Ltd's 0.5 : 1. BBM Ltd is more successful by a difference of 0.5 : 1.