

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

153/2

ACCOUNTANCY 2
(For Both School and Private Candidates)

Time: 3 Hours

Wednesday, March 16, 2005 a.m.

Instructions

1. This paper consists of *five (5)* questions.
2. Answer *all* questions.
3. All questions carry equal marks.
4. Marks will be provided for cleanliness and good style of presentation of answers.
5. Cellular phones are *not* allowed in the examination room.
6. Write your *Examination Number* on every page of your answer booklet(s).

This paper consists of 4 printed pages.

1. Write short notes on the following:

- (a) Software.
- (b) Networks.
- (c) Internet.
- (d) Back-ups.
- (e) Password.

2. Shaban, Shani and Shabir have been in partnership for several years, sharing profits and losses in the ratio 3:2:1. Their last balance sheet which was prepared on 31st December 2002 looks as follows:

Fixed asset	80,000	Capital:		
Current assets:		Shabaan	16,000	
Stock	20,000	Shani	16,000	
Debtors	<u>84,000</u>	Shamir	<u>8,000</u>	40,000
	104,000	Provision for depreciation		24,000
		Current liabilities:		
		Bank	52,000	
		Creditors	68,000	120,000
	<u>184,000</u>			<u>184,000</u>

Despite making good profits during recent years they have become increasingly dependent on one creditor. In order to retain him, they had gradually increased his credit limit until he owed the partnership sh. 72,000. It has now been discovered that, the creditor is bankrupt and that he is unlikely to repay any of the money owed by him to the partnership. Hence, partners have agreed to dissolve the partnership on the following terms.

- (i) The stock should be sold for sh. 16,000.
- (ii) The fixed assets be sold for sh. 32,000 except for certain items with a book value of sh. 20,000 which will be taken over by Shaban at an agreed valuation of sh. 28,000.
- (iii) The debtors, except for the main debtor, are expected to pay their accounts in full.
- (iv) The costs of dissolution will be sh. 3,200 and discount received from creditors will be sh. 2,000. Shabir is unable to meet his liability to the partnership out of his personal funds.

Required:

- (a) Prepare the realisation accounts.
- (b) Prepare the capital accounts to the partners regarding the dissolution of the partnership.

The following trial balance was extracted from the books of J. M. Ltd. as at 31-12-2003:

Particulars	Dr	Cr
Bank balance, advanced and received at 31-12-2003		40,000
Trade debtors and sundries	15,000	10,000
Motor vehicles at cost (at 31-12-2003) less value at 31-12-2003	75,000	
Provision for depreciation of motor cars at 31-12-2003		8,000
Furniture and fixtures at cost less at rate 31-12-2003	120,000	
Purchases and sales	250,000	250,000
Wages and salaries	100,000	
Motor and delivery expenses	4,000	
Rates and insurance	6,000	
General expenses	90,000	
Cash at hand	400	
Cash at bank	17,000	
Director's fees	40,000	
Profit and loss acc at 31-12-2003		85,000
	1,272,000	1,272,000

Additional notes:

- Stock at trade at 31-12-2003 was at 80,000.
- Provision for depreciation of motor vehicles is to be made at the rate of 10% per annum on cost.
- A motor vehicle which had a cost of at 8,000 was sold on 31-01-2004 for at 2,400. The depreciation provided on this motor vehicle up to 31-12-2003 was at 5,200.
- Rates and insurance paid in advance at 31-12-2003 was at 1,120.
- The cash at hand shown in the trial balance (at 400) includes a post dated cheque for at 200 which had been cashed for a customer on 31-12-2003.
- The amounts shown in the trial balance for sales and trade debtors include goods sent out on sale or returns invoiced at at 5,000, which represented cost plus 20%. These goods were returned on 2nd January 2004.
- In December 2003, goods costing at 7,200 were destroyed by fire. The company is expecting to receive a full claim from the insurance company, as the whole of this amount has been accepted by the insurance company but no entry has been made in the company's books.
- The directors have decided to recommend a dividend of 10% for the year 2003.

Required:

Prepare the trading and profit and loss account for the year ended 31-12-2003 and the balance sheet as at that date. (Ignore taxation)

4. During the month ended 31-12-2003 the three employees of Matonya TV Repair Service worked the hours shown below:

Employee number	Hourly rate (sh.)	Hours worked for the month
01	720	188
02	660	168
03	750	176
04	660	150

The firm pays overtime at one and a half times the regular rate for the extra hours beyond 40 hours in a week. Employees earnings are subject to the following terms:

- (i) Employees have a guaranteed minimum pay based on 40 weekly hours at the regular hourly pay.
- (ii) PAYE is deducted at the rate of 20 % on any amount in excess of sh. 50,000 of gross pay.
- (iii) PPF contribution is at the rate of 2 % of the employee's basic pay.

Required:

- (a) Determine the regular earnings, overtime premium and gross pay for each employee.
 - (b) Calculate basic pay and net pay for each employee.
5. (a) Classify the various types of audit in terms of:
- (i) Form of organisation.
 - (ii) Nature of work.
 - (iii) Time factor.
 - (iv) Method of approach.
- (c) List down four (4) people who are not eligible for appointment as auditor of a company even if they hold required qualifications.