

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

ANSWERS

Year: 2009

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. (a) Internal control

Internal control refers to the system of policies, procedures, and practices established by management to safeguard assets, ensure accurate and reliable accounting records, promote operational efficiency, and encourage adherence to policies and regulations.

(b) Auditor's working paper

Auditor's working papers are documents which contain the evidence gathered by auditors during an audit. They support the auditor's opinion and include information such as schedules, analysis, summaries, and correspondence.

(c) Advantages of audit programmes

- Uniformity and consistency in audit procedures
- Clear instructions to audit staff
- Easy allocation of work and supervision

Disadvantages of audit programmes

- May discourage initiative and judgment
- May not be flexible to deal with unique client situations
- Staff may follow it mechanically without understanding

2.

(a) Containers Account (at cost shs. 30)

| Particulars | Units | Amount |
|--------------------------------|-------|--------|
| Purchases | 500 | 15,000 |
| Returns from customers | 1500 | |
| Closing stock (warehouse) | 180 | |
| Closing stock (with customers) | 200 | |
| Destroyed and sold | 20 | |
| Retained by customers | 100 | |
| Total issued | 1800 | |
| Balance not traceable | 0 | |

Workings:

Total returns: 1500

Destroyed: 20

Retained: 100

Closing stock: 180 (warehouse) + 200 (customers) = 380

Total = 1500 + 20 + 100 + 380 = 2000

Excess of 200 indicates reuse

(b) Containers Suspense Account (at shs. 40)

| Particulars | Units | Amount |
|--------------------------------|-------|--------|
| Crates sent to customers | 1800 | 72,000 |
| Returned by customers | 1500 | 60,000 |
| Retained (forfeited) | 100 | 4,000 |
| Destroyed and sold (at shs.10) | 20 | 800 |
| Balance (pending returns etc.) | 180 | 7,200 |

3.

Total earnings:

Quid B: 280,000

Teteto N: 110,000

Kishe J: 150,000

Macho P: 410,000

Ezekiel S: 170,000

Muna W: 86,000

Total: 1,206,000

(a) PAYE payable

Taxable earnings = 85% (less 15% housing allowance)

Tax = 15% of 85% = 12.75% of earnings

PAYE = $1,206,000 \times 12.75\% = 153,765$

(b) NSSF expense

Employer's share = 10% of earnings

NSSF expense = $1,206,000 \times 10\% = 120,600$

(c) VAT payable

VAT = $2\% \times \text{total earnings}$

= $1,206,000 \times 2\% = 24,120$

(d) Payroll levy payable

Payroll levy = $4\% \times \text{earnings} = 1,206,000 \times 4\% = 48,240$

(e) NSSF payable (employer + employee)

$10\% \times 2 = 20\%$ of total earnings

= $1,206,000 \times 20\% = 241,200$

(f) Total deductions

PAYE (153,765) + employee NSSF (120,600) = 274,365

(g) Net pay

Net pay = Total earnings - total deductions

$$= 1,206,000 - 274,365 = 931,635$$

4. On 30th September 2003, Imani, who prepares final accounts annually to 30th September, bought machinery on hire purchase from Machine Tools Ltd. The cash price of the machine was shs. 622,362 under the terms of the hire purchase agreement. Imani paid a deposit of shs. 200,000 on 30th September 2003 and two instalments of shs. 242,198 on 30th September 2004 and 2005. The hire vendor charged interest at 10% per annum on the balance outstanding on 1st October each year. All payments were made on the due dates.

Imani maintained the machinery account at cost and provision for depreciation at a rate of 25% on the diminishing balance method in a separate account.

Required:

(a) Prepare the following accounts as they would appear in the ledger of Imani for the period of the contract:

(i) Machine Tools Ltd.

(ii) Machinery on hire

(iii) Provision for depreciation of machinery

(iv) Hire purchase interest payable

Answer:

(i) Machine Tools Ltd.

Dr side

2003 Sep 30 – Bank (deposit) – 200,000

2004 Sep 30 – Bank – 242,198

2005 Sep 30 – Bank – 242,198

Total paid = 684,396

Cr side

2003 Sep 30 – Machinery on hire – 622,362

2003 Sep 30 – Interest – 62,236

2004 Sep 30 – Interest – 42,237

Total payable = 622,362 + 62,236 + 42,237 = 726,835

Balance = 726,835 – 684,396 = 42,439 (cleared by 2005)

(ii) Machinery on Hire Account

Dr

2003 Sep 30 – Machine Tools Ltd. – 622,362

Cr

Transfer to Asset A/C – 622,362

(iii) Provision for Depreciation of Machinery

Dr

2003 Sep 30 – Balance c/d – 155,591

2004 Sep 30 – Balance c/d – 116,693

2005 Sep 30 – Balance c/d – 87,520

Working:

$2003 - 25\% \times 622,362 = 155,591$

$2004 - 25\% \times (622,362 - 155,591) = 116,693$

$2005 - 25\% \times (466,771 - 116,693) = 87,520$

(iv) Hire Purchase Interest Payable

Dr side

2003 Sep 30 – Machine Tools Ltd. – 62,236

2004 Sep 30 – Machine Tools Ltd. – 42,237

(b) Show how the above matters would appear in the balance sheet of Imani at 30th September 2004

Non-Current Assets:

Machinery: 622,362

Less: Accumulated Depreciation: $155,591 + 116,693 = 272,284$

Net Book Value: 350,078

Liabilities:

Interest Payable: 42,237

Machine Tools Ltd.: Nil (2004 payment already made)

5. The following information relates to Kahama Mining Co. Ltd:

(i) On 1st April 2001, the company had shs. 100,000 10% debentures in issue.

The interest of these debentures is paid on 30th September and 31st March.

(ii) The debenture redemption fund balance at 1st April 2001 was shs. 20,000. The annual appropriations of shs. 2,000.

(iii) Debenture redemption fund investment can be realised at any time to purchase debentures in the open market.

(iv) On 31st December 2001, shs. 10,000 investments were sold for shs. 11,400 and proceeds used to purchase debentures at par of shs. 12,000.

(v) Dividends and interest on investments during the year to 31st March 2002 amounted to shs. 1,600.

(vi) Ignore taxation.

Required:

Write up the following ledger accounts for the year to 31 March 2002.

- (a) 10% debentures
- (b) Debenture redemption fund
- (c) Debenture redemption fund investment
- (d) Debenture redemption
- (e) Debenture interest

Answer:

- (a) 10% Debentures

Dr

2001 Dec 31 – Debenture redemption – 12,000

Cr

2001 Apr 1 – Balance b/d – 100,000

- (b) Debenture Redemption Fund

Dr

2001 Dec 31 – Investment – 11,400

2001 Dec 31 – Gain on redemption – 600

Cr

2001 Apr 1 – Balance b/d – 20,000

2002 Mar 31 – Appropriation – 2,000

- (c) Debenture Redemption Fund Investment

Dr

2001 Dec 31 – Bank – 11,400

Cr

2001 Apr 1 – Balance b/d – 10,000

2002 Mar 31 – Interest – 1,400

- (d) Debenture Redemption

Dr

2001 Dec 31 – Bank – 12,000

Cr

2001 Dec 31 – 10% Debentures – 12,000

(e) Debenture Interest

Dr

2001 Sep 30 – Bank – 5,000

2002 Mar 31 – Bank – 5,000

Cr

2001 Apr 1 – Expense A/C – 10,000