

**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: 2012**

**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. Briefly explain the following accounting terms:

(a) Auditing

Auditing is the independent examination of financial statements and records of an entity to ensure they present a true and fair view, and comply with accounting standards and legal requirements.

(b) Internal Control

Internal control refers to all policies and procedures implemented by management to safeguard assets, ensure the accuracy of records, promote operational efficiency, and ensure adherence to policies.

(c) Audit Report

An audit report is the official opinion or conclusion issued by an auditor after reviewing a company's financial statements, indicating whether they are free from material misstatement.

(d) Internal Check

Internal check is a system where the work of one employee is automatically checked by another, to reduce errors and fraud and to ensure accuracy of records.

(e) Audit Note Book

An audit note book is a diary maintained by the auditor during the course of audit to record observations, queries, explanations obtained, and important points to be included in the final report.

2. Baraka, Hussein, and Obama were in partnership with a 5:3:2 ratio. Baraka retires, and revaluation and goodwill adjustments are to be made.

Revaluation Details:

- Freehold land and buildings increased from 600,000 to 750,000 → increase of 150,000
- Plant and machinery increased from 240,000 to 456,000 → increase of 216,000
- Stock reduced by 30,000
- Provision for doubtful debts increased by 7,200
- Provision in sundry creditors written back 18,000

(i) Revaluation Account

Dr Side

Stock reduction: 30,000

Provision for doubtful debts increase: 7,200

Total Dr = 37,200

Cr Side

Freehold land & buildings increase: 150,000

Plant & machinery increase: 216,000

Provision in creditors no longer needed: 18,000

Total Cr = 384,000

Revaluation profit = 384,000 - 37,200 = 346,800

To be shared in 5:3:2 between Baraka, Hussein, and Obama:

Baraka: 173,400

Hussein: 104,040

Obama: 69,360

(ii) Partner's Capital Accounts (Columnar)

| Particulars            | Baraka   | Hussein | Obama   |
|------------------------|----------|---------|---------|
| Opening capital        | 900,000  | 420,000 | 300,000 |
| Revaluation profit     | 173,400  | 104,040 | 69,360  |
| Goodwill               | 700,000  | 280,000 | 140,000 |
| Loan A/c (for balance) | (38,000) |         |         |
| Final capital balance  |          | 804,040 | 509,360 |

Note: Baraka receives 1,128,000 for goodwill; out of which Hussein and Obama paid 280,000, remaining 850,000 remains as Baraka's loan account.

(iii) Opening Balance Sheet of New Firm (Hussein and Obama)

Assets:

Freehold Land and Building: 750,000

Plant and Machinery: 456,000

Motor Vehicles (less 39,000 taken by Baraka): 57,000

Stock: 378,000

Debtors: 438,000

Less: Prov. for d/d: (31,200) → Net Debtors: 406,800

Cash at Bank: 342,000

Total = 2,389,800

Liabilities:

Sundry Creditors: 282,000 (adjusted)

Baraka Loan A/c: 1,128,000

Capital:

Hussein: 804,040

Obama: 509,360

Total = 2,389,800

3. Wazalendo Company Ltd offered 25,000 ordinary shares of Tsh. 0.50 each. Allotment details:

- Application: 0.10

- Allotment (incl. premium): 0.25
- First Call: 0.15
- Second Call: 0.15

Applications received: 35,000 shares

Rejected: 5,000

Allotment on 5-for-6 basis:

Remaining 30,000 applicants → allotted 25,000 shares

Forfeiture: One shareholder holding 400 shares failed to pay second call

Reissued at 0.25 each

(a) Journal Entries

1. Application money received:

Dr Bank 3,500 ( $35,000 \times 0.10$ )

Cr Share Application 3,500

2. Refund rejected:

Dr Share Application 500 ( $5,000 \times 0.10$ )

Cr Bank 500

3. Transfer to capital:

Dr Share Application 3,000

Cr Share Capital 2,500

Cr Share Allotment 500 (excess applied)

4. Allotment due:

Dr Share Allotment 6,250 ( $25,000 \times 0.25$ )

Cr Share Capital 3,750

Cr Share Premium 2,500

5. Receipts for allotment:

Dr Bank 5,750

Cr Share Allotment 5,750

6. First call:

Dr Share First Call 3,750

Cr Share Capital 3,750

7. Receipt of first call:

Dr Bank 3,750

Cr Share First Call 3,750

8. Second call:

Dr Share Second Call 3,750

Cr Share Capital 3,750

9. Forfeiture (400 shares):

Dr Share Capital 200 ( $400 \times 0.50$ )

Dr Share Premium 40

Cr Share Forfeiture 215

Cr Share Second Call 60

Cr Share Allotment 25

10. Reissue:

Dr Bank 100 ( $400 \times 0.25$ )

Dr Share Forfeiture 100

Cr Share Capital 200

(b) Ordinary Share Capital Account

| Particulars      | Tsh    |
|------------------|--------|
| Application      | 2,500  |
| Allotment        | 3,750  |
| First Call       | 3,750  |
| Second Call      | 3,750  |
| Forfeited shares | (200)  |
| Reissued shares  | 200    |
| Closing balance  | 13,750 |

4. Serengeti Ltd – Cases accounting for the year ended 31st December, 2002

Given:

- Opening stock = 1,200
- Cases in hands of customers = 500
- Purchases = 1,800 @ sh. 250
- Charged to customers = 4,350
- Returned by customers = 3,880
- Repair wages = 1,440
- Lost = 30
- Destroyed and sold = 460 for 3,160
- Closing in hands of customers = 920
- All cases to be valued at sh. 200

(i) Cases Stock Account (at cost price sh. 250)

| Particulars        | Cases | Tsh       |
|--------------------|-------|-----------|
| Opening Stock      | 1,200 | 300,000   |
| Purchases          | 1,800 | 450,000   |
| Returns from cust. | 3,880 | 970,000   |
| Issued to cust.    | 4,350 | 1,087,500 |
| Lost               | 30    | 7,500     |
| Destroyed          | 460   | 115,000   |
| Closing stock      | 2,040 | 510,000   |
| Total              | 6,880 | 1,720,000 |

(ii) Cases Suspense Account(at return price sh. 220)

| Particulars               | Cases | Tsh     |
|---------------------------|-------|---------|
| Issued to customers       | 4,350 | 957,000 |
| Returned                  | 3,880 | 853,600 |
| In hands of customers     | 920   | 202,400 |
| Not returned but paid for | 450   | 99,000  |
| Loss                      | 30    | 6,600   |

(iii) Cases Profit and Loss Account

| Particulars                         | Tsh     |
|-------------------------------------|---------|
| Income (450 × 300)                  | 135,000 |
| Add: Sale of scrap 460 @ 3,160      | 3,160   |
| Less: Cost of lost cases (30 × 250) | 7,500   |
| Less: Wages for repair              | 1,440   |
| Net profit                          | 129,220 |

5. Milmani City – For year ended 30th June 2005

(a) Memorandum Hire Purchase Debtors Account

| Dr Side | Tsh | Cr Side | Tsh |
|---------|-----|---------|-----|
|         |     |         |     |

|                 |         |                       |         |  |
|-----------------|---------|-----------------------|---------|--|
| Opening balance | 11,772  | Installments received | 121,554 |  |
| Sales on HP     | 123,822 | Closing balance       | 14,040  |  |
| Total           | 135,594 | Total                 | 135,594 |  |

Hire Purchase Sales = Closing Debtors + Cash received - Opening Debtors  
= 14,040 + 121,554 - 11,772 = 123,822

HP interest = 123,822 - (123,822 ÷ 27 × 25)

Cost of HP goods = 123,822 × 25/27 = 114,650

Interest = 9,172

#### (b) Trading, Profit and Loss Account

##### Trading Account

|                        |           |  |
|------------------------|-----------|--|
| Particulars            | Tsh       |  |
| -----                  | -----     |  |
| Opening stock          | 14,130    |  |
| Purchases              | 152,550   |  |
| Cost of goods on HP    | 114,650   |  |
| Cost of goods sold     | (166,680) |  |
| Closing stock          | (12,960)  |  |
| Gross profit (bal fig) | 96,610    |  |

##### Profit and Loss Account

|                        |          |  |
|------------------------|----------|--|
| Particulars            | Tsh      |  |
| -----                  | -----    |  |
| Gross profit           | 96,610   |  |
| Add: Interest from HP  | 9,172    |  |
| Total income           | 105,782  |  |
| Less: General expenses | (33,102) |  |
| Net Profit             | 72,680   |  |

#### (c) Balance Sheet as at 30th June, 2005.

##### Assets

|                         |         |  |
|-------------------------|---------|--|
| Item                    | Tsh     |  |
| -----                   | -----   |  |
| Stock                   | 12,960  |  |
| HP Debtors              | 14,040  |  |
| Less: Unrealized profit | (3,924) |  |

|                             |         |
|-----------------------------|---------|
| Net HP Debtors              | 10,116  |
| Other Debtors               | 18,000  |
| Fixed assets (less dep 10%) | 78,570  |
| Bank                        | 28,026  |
| Total                       | 147,672 |

#### Liabilities and Capital

|                 |          |  |
|-----------------|----------|--|
| Item            | Tsh      |  |
| -----           | -----    |  |
| Creditors       | 44,784   |  |
| Capital (b/f)   | 90,000   |  |
| Add: Net profit | 72,680   |  |
| Less: Drawings  | (15,120) |  |
| Closing capital | 147,560  |  |
| Total           | 192,344  |  |

#### 6. Balance Sheet of Veteran Ltd as at 31st December, 2005:

##### Share Capital and Reserves:

50,000 shares redeemable preference shares 50,000

90,000 ordinary shares of sh. 1 each 90,000

Share premium 10,000

General reserve 20,000

Profit and loss account 25,000

Current liability 30,000

Total equity and liabilities 225,000

##### Assets:

Land and buildings 100,000

Plant 25,000

Fixtures and fittings 5,000

Motor van 2,000

Stock 33,000

Debtors 12,000

Investment 30,000

Bank 18,000

Total assets 225,000

#### Redemption on 1st January, 2006:



Redeem preference shares of sh. 50,000 at 5% premium = 52,500

To finance: sell investment for sh. 28,000

Issue 10,000 shares at 1.20 = 12,000

Bank received = 28,000 + 12,000 = 40,000

Balance 12,500 to be met from reserves

#### Journal Entries

1. Sale of investment

Dr Bank 28,000

Dr Profit and Loss A/c 2,000

Cr Investment 30,000

2. Issue of 10,000 shares at 1.20

Dr Bank 12,000

Cr Share Capital 10,000

Cr Share Premium 2,000

3. Redemption of preference shares

Dr Preference Share Capital 50,000

Dr Premium on Redemption (from reserves) 2,500

Cr Bank 52,500

4. Transfer premium from share premium

Dr Share Premium 2,500

Cr Premium on Redemption 2,500

Revised Balance Sheet after Redemption as at 1st January, 2006:

#### Share Capital and Reserves:

Ordinary Share Capital: 100,000

Share Premium: 9,500 (10,000 - 2,500 + 2,000)

General Reserve: 20,000

Profit and Loss: 23,000 (25,000 - 2,000)

Current liability: 30,000

Total: 182,500

#### Assets:

Land and buildings: 100,000

Plant: 25,000

Fixtures and fittings: 5,000

Motor van: 2,000

Stock: 33,000

Debtors: 12,000  
Bank: 5,500 (18,000 + 40,000 - 52,500)  
Total: 182,500

#### 7. Contract between Cheka and M/S Uyaone

Terms:

Rent per client: sh. 100

Minimum rent: sh. 40,000 per year

Short workings recoverable within two years

Yearly rents and workings:

2002:  $420 \times 100 = 42,000$

No short workings

2003:  $310 \times 100 = 31,000$

Short workings = 9,000

2004:  $560 \times 100 = 56,000$

Recovered 9,000 from 2003

2005:  $280 \times 100 = 28,000$

Short workings = 12,000

2006:  $440 \times 100 = 44,000$

Recovered 12,000 from 2005

2007:  $450 \times 100 = 45,000$

No workings

2008:  $780 \times 100 = 78,000$

No workings

Journal Entries (2003):

Dr Royalty Expense 31,000

Dr Short Working 9,000

Cr Payable to Uyaone 40,000

(2004):

Dr Royalty Expense 56,000

Cr Payable to Uyaone 47,000

Cr Short Working (recovered) 9,000

(2005):

Dr Royalty Expense 28,000

Dr Short Working 12,000

Cr Payable to Uyaone 40,000

(2006):

Dr Royalty Expense 44,000

Cr Payable to Uyaone 32,000

Cr Short Working (recovered) 12,000

(2007):

Dr Royalty Expense 45,000

Cr Payable to Uyaone 45,000

(2008):

Dr Royalty Expense 78,000

Cr Payable to Uyaone 78,000