

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: 2016

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) General reserve

A general reserve is an amount set aside from profits to strengthen the financial position of a business. It is not created for any specific purpose and may be used to meet unforeseen future liabilities.

(b) Hire purchase price

The hire purchase price is the total amount paid by a buyer under a hire purchase agreement, including the down payment and all instalments. It includes interest and is higher than the cash price.

(c) Secret reserve

A secret reserve is a reserve not disclosed in the balance sheet. It usually arises by undervaluation of assets or overstatement of liabilities. It strengthens the business position secretly.

(d) Reserve capital

Reserve capital is that portion of the uncalled share capital that a company resolves, by special resolution, not to call except in the case of winding up.

(e) Capital Reserve

A capital reserve is a reserve created from capital profits such as sale of fixed assets or share premium. It is not available for dividend distribution.

2. Chingwande Company Ltd – Cases Account

Given:

- Opening warehouse stock: 1,000 cases
- Opening customers' holding: 3,000 cases
- Cases purchased: 2,000 cases
- Cases issued to customers: 25,000 cases
- Cases returned within time: 23,000 cases
- Cases paid for (not returned in time): 1,500 cases
- Closing customers' balance: 1,500 cases
- Damaged beyond repair: 100 cases
- Repaired cases: Tsh 1,400 repair cost
- 50 cases sold for Tsh 2 per case

(i) Cases Stock Account at Standard Book Value (SBV)

(SBV = 5 per case)

Particulars	Cases	Amount (Tsh)
Opening stock (01/04/2012)	1,000	5,000
Purchases during the year	2,000	10,000
Cases returned by customers	23,000	115,000

Damaged cases repaired	100	500
Total Inflow	26,100	130,500

Issued to customers	25,000	125,000
Closing balance in warehouse	1,000	5,000
Total Outflow	26,000	130,000
Balance (50 sold)	500	

(ii) Cases Suspense Account at Return Price (Tsh 8)

Particulars	Cases	Amount (Tsh)
Cases issued to customers	25,000	200,000
Less: Cases returned in time	23,000	184,000
Less: Closing customer cases	1,500	12,000
Cases paid for (not returned)	1,500	12,000
No balance remaining		

(iii) Cases Income Statement (Cases income)

Description	Tsh
Amount received for cases (paid for)	15,000
Add: Sale of 50 damaged cases	100
Less: Cost of 100 damaged cases	500
Less: Repairs to damaged cases	1,400
Net Income on Cases	13,200

3. Donbosco Ltd and Pachoto – Repossession and Machinery

- 3 machines sold at 10,000 each
- Pachoto paid 6,000 upfront
- Agreed to pay $5 \times 6,000 = 30,000$ total instalments
- Couldn't pay 3rd instalment
- One machine repossessed
- Value of repossessed machine = $10,000 - 40\% = 6,000$
- Depreciation = 10% reducing balance

Repossession Account – Donbosco Books

Particulars	Tsh
Value of repossessed	6,000
Add: Repairs	200
Total cost	6,200
Sale proceeds	4,500

Loss on disposal 1,700

Journal Entries – Donbosco

Dr Repossessed Goods 6,000

Dr Repair Expenses 200

Cr Pachoto A/c 6,200

Dr Bank 4,500

Dr Loss on Repossession 1,700

Cr Repossessed Goods 6,200

4. Revaluation Account and Balance Sheet – Admission of Chihuku

Adjustments:

Stock: 5% depreciation on 150,000 = 7,500

New Stock value = 142,500

Debtors provision increase: from 4,000 to 5,000 = 1,000 increase

Furniture: 10% depreciation = 5,000

Building revaluation from 350,000 to 400,000 = 50,000 increase

Revaluation Account

Dr	Tsh	Cr	Tsh
Stock depreciation	7,500	Building appreciation	50,000
Debtors provision increase	1,000		
Furniture depreciation	5,000		
Total	13,500	Revaluation Profit	36,500

Profit Sharing (3:2)

Chikambo: $\frac{3}{5} \times 36,500 = 21,900$

Ulavi: $\frac{2}{5} \times 36,500 = 14,600$

New Capital Structure

Chikambo: $290,000 + 21,900 = 311,900$

Ulavi: $150,000 + 14,600 = 164,600$

Chihuku: New capital = 160,000

Total capital = 636,500

New Balance Sheet as at 31st March 2013

Assets

Cash	20,000
Stock	142,500
Prepaid Insurance	15,000
Debtors	94,000
Less: Provision	(5,000)
Net Debtors	89,000
Buildings	400,000
Furniture	45,000
Machinery	190,000
Total Assets	901,500

Liabilities and Capital

Creditors	385,000
Outstanding Liab.	40,000
Capital Accounts:	
Chikambo	311,900
Ulavi	164,600
Chihuku	160,000
Total Equity	636,500
Total Liabilities and Equity	901,500

5. Pangu Pakavu Company Ltd issued a prospectus offering 200,000 equity shares of Tsh. 10 each under the following terms:

- On application: Tsh. 1.00
- On allotment (including Tsh. 2 premium): Tsh. 3.00
- On first call (3 months after allotment): Tsh. 4.00
- On second call (3 months after first call): Tsh. 4.00

Total issue price = Tsh. 12 (including Tsh. 2 premium)

Subscriptions received for 317,000 shares:

- (i) Full allotment = 38,000 shares
 - (ii) $\frac{2}{3}$ of 160,000 applied = 106,667 shares allotted
 - (iii) $\frac{1}{4}$ of 2,000 applied = 500 shares allotted
- Total shares allotted = 145,167

Application money received = $317,000 \times 1 = 317,000$

Application money required = $145,167 \times 1 = 145,167$

Excess = 171,833 (used to offset allotment)

Unallotted 31,000 shares refunded = 31,000

Journal Entries

1. On receipt of application money

Dr Bank 317,000

Cr Share Application 317,000

2. Transfer to capital on allotment

Dr Share Application 145,167

Cr Share Capital 145,167

3. Refund of excess application

Dr Share Application 31,000

Cr Bank 31,000

4. Allotment due

Dr Share Allotment 435,501

Cr Share Capital 290,334

Cr Share Premium 145,167

5. Application excess adjusted

Dr Share Application 140,833

Cr Share Allotment 140,833

6. Bank receipt for balance of allotment

Dr Bank 294,668

Cr Share Allotment 294,668

7. First call due

Dr Share First Call 580,668

Cr Share Capital 580,668

8. Second call due

Dr Share Second Call 580,268

Cr Share Capital 580,268

9. Forfeiture of 100 shares

Dr Share Capital 1,000

Dr Share Premium 200

Cr Share Forfeiture 900

Cr Share Second Call 400

Cr Share First Call 400

Cr Share Allotment 200

10. Reissue to Othman at Tsh. 9

Dr Bank 900

Dr Share Forfeiture 100

Cr Share Capital 1,000

Balance Sheet Extract

Equity and Liabilities

Share Capital = $145,067 \times 10 = 1,450,670$

Share Premium = $145,067 \times 2 = 290,134$

Total = 1,740,804

Question 6

Royalty = Tsh. 5 per tonne

Minimum Rent = Tsh. 15,000

Short workings recoverable for 3 years

Year-wise calculation:

2008

Output: 1,000 tonnes \rightarrow Royalty = 5,000

Short working = 10,000

2009

Output: 1,500 \rightarrow Royalty = 7,500

Short working = 7,500

2010

Output: 2,000 \rightarrow Royalty = 10,000

Short working = 5,000

2011

Output: 2,800 \rightarrow Royalty = 14,000

Minimum = 15,000

Only 1,000 can be recouped from previous short workings

2012

Output: 3,000 \rightarrow Royalty = 15,000

Minimum met

Remaining 21,500 written off

Journal Entries

2008

Dr Royalty Expense 5,000
Dr Short Workings 10,000
Cr Charambe Veteran Ltd 15,000

2009

Dr Royalty Expense 7,500
Dr Short Workings 7,500
Cr Charambe Veteran Ltd 15,000

2010

Dr Royalty Expense 10,000
Dr Short Workings 5,000
Cr Charambe Veteran Ltd 15,000

2011

Dr Royalty Expense 14,000
Dr Short Working Recouped 1,000
Cr Charambe Veteran Ltd 15,000

2012

Dr Royalty Expense 15,000
Cr Charambe Veteran Ltd 15,000

Write off remaining

Dr Profit and Loss 21,500
Cr Short Workings 21,500

7.

Working hours = 144 guarantee

Overtime = double rate

Allowances:

- House = 15% of basic
- Transport = 10,000
- Meal = 8,000

Deductions:

- PAYE: 5% above 60,000 to 80,000; 2,500 + 10% above 80,000 if over 80,000
- SACCO: 3%
- NHIF: 5%

Daniel

Worked 156 hrs \times 600 = 93,600

Basic (144 \times 600) = 86,400

Overtime (12 \times 600 \times 2) = 14,400

Total = 100,800

House = 12,960

Transport = 10,000

Meal = 8,000

Gross = 131,760

PAYE: 20,800 excess \rightarrow 5% = 1,040

SACCO = 2,592

NHIF = 4,320

Net = 131,760 - 7,952 = 123,808

Immaculate

Worked 144 hrs \times 500 = 72,000

No overtime

House = 10,800

Transport = 10,000

Meal = 8,000

Gross = 100,800

SACCO = 2,160

NHIF = 3,600

Net = 100,800 - 5,760 = 95,040

Fayez

Worked 180 hrs

Basic = 144 \times 600 = 86,400

Overtime = 36 \times 600 \times 2 = 43,200

Gross = 129,600

Advance = 5,000 deducted

House = 12,960

Transport = 10,000

Meal = 8,000

Gross = 155,560

PAYE: 129,600 - 80,000 = 49,600 \rightarrow 2,500 + 4,960 = 7,460

SACCO = 2,592

NHIF = 4,320

Net = 155,560 - 19,372 = 136,188

Gabriel

Worked 140 hrs \times 400 = 56,000

Guaranteed pay = 144 \times 400 = 57,600

House = 8,640

Transport = 10,000

Meal = 8,000

Gross = 84,240

SACCO = 1,728

NHIF = 2,880

Net = 84,240 - 4,608 = 79,632