

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: 2017

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) Briefly explain four essential characteristics of partnership.

Mutual Agency: Every partner in a partnership firm acts as both an agent and principal of the firm. This means that actions taken by one partner in the course of business bind all other partners.

Sharing of Profits and Losses: Partners share the profits and bear the losses of the business as per the agreed ratio or equally if no agreement is made.

Unlimited Liability: Each partner is personally liable for the debts and obligations of the partnership. Creditors can claim partners' personal assets if the business assets are insufficient.

Agreement Between Partners: A partnership is formed through an agreement among partners which can be written or oral, stating the terms, capital contribution, profit sharing ratio, and duties.

(b) Describe the term partnership deed.

A partnership deed is a written agreement among partners that outlines the terms and conditions of their business relationship. It defines the rights, responsibilities, duties, and liabilities of each partner and serves as a legal document to resolve disputes. It typically includes profit sharing ratio, capital contributions, interest provisions, rules on admission and retirement, and procedures for dissolution.

2. Admission of Christina – Partnership Adjustment

Initial Balance Sheet as at 31st March 2012:

Capital: Othman 200,000, Beatrice 100,000

Creditors: 100,000

Assets:

Buildings 200,000

Plant 50,000

Cash 50,000

Debtors 100,000

Total = 400,000

Adjustments:

a. Christina brings in 100,000 as capital

b. Goodwill = 50,000, shared in ratio 3:2

Othman = 30,000

Beatrice = 20,000

They credit their capital with goodwill

c. Unrecorded liability = 20,000 for Daniel – added to creditors

d. Revaluation:

Buildings = 300,000 (Increase 100,000)
Plant = 70,000 (Increase 20,000)
Gain = 120,000
Shared: Othman = 72,000, Beatrice = 48,000

Journal Entries

1. Dr Christina Capital 100,000
 Cr Bank 100,000
2. Dr Goodwill 50,000
 Cr Othman Capital 30,000
 Cr Beatrice Capital 20,000
3. Dr Revaluation A/c 120,000
 Cr Othman Capital 72,000
 Cr Beatrice Capital 48,000
4. Dr Purchases A/c or Suspense 20,000
 Cr Creditors 20,000

Partners' Capital Accounts:

Othman

Original = 200,000
Add goodwill = 30,000
Add reval gain = 72,000
New capital = 302,000

Beatrice

Original = 100,000
Add goodwill = 20,000
Add reval gain = 48,000
New capital = 168,000

Christina

Capital = 100,000

Total Capital = 570,000

Updated Balance Sheet (Post admission – no revaluation yet recorded in books):

Assets:

Building = 200,000

Plant = 50,000
Cash = 150,000
Debtors = 100,000
Total = 500,000

Liabilities:

Creditors = 100,000 + 20,000 = 120,000

Capital:

Othman = 302,000

Beatrice = 168,000

Christina = 100,000

Total = 690,000 – If revalued amounts are recorded

If new values NOT to be recorded in books (as stated), balance sheet remains at original values + capital contribution + goodwill.

3. Preference Share Redemption

Redeem 50,000 shares @ 1 = 50,000

Issue 40,000 ordinary shares @ 1.25 = 50,000

Premium = $0.25 \times 40,000 = 10,000$

Bank = $40,000 \times 1.25 = 50,000$

Redeem preference shares = 50,000

No change in capital

Statement of Financial Position as at 31st Dec 2013:

Share Capital:

Ordinary shares = 100,000 + 40,000 = 140,000

Share premium = 10,000

General reserve = 48,000

Creditors = 22,000

Assets = Cash and bank = 210,000

(b) Payroll – Batuli and Majambo

Batuli:

Hours = 170, Rate = 400

Basic = $160 \times 400 = 64,000$

Overtime = $10 \times 2 \times 400 = 8,000$

Gross = 72,000

PAYE = $5\% \times (72,000 - 50,000) = 1,100$

NSSF = $5\% \times 64,000 = 3,200$

RAAW = $2\% \times 64,000 = 1,280$

Housing = $10\% \times 64,000 = 6,400$

Transport = 18,000

Meals = 15,000

Net = $72,000 - (1,100 + 3,200 + 1,280 + 6,400) + 33,000 = 93,020$

Majambo:

Hours = 180, Rate = 500

Basic = $160 \times 500 = 80,000$

Overtime = $20 \times 2 \times 500 = 20,000$

Gross = 100,000

PAYE = $1,250 + 10\% \text{ of } (100,000 - 75,000) = 1,250 + 2,500 = 3,750$

NSSF = $5\% \times 80,000 = 4,000$

RAAW = $2\% \times 80,000 = 1,600$

Housing = $10\% \times 80,000 = 8,000$

Transport = 18,000

Meals = 15,000

Net = $100,000 - (3,750 + 4,000 + 1,600 + 8,000) + 33,000 = 115,650$

4. Peter Donkoa – Royalties Computation and Accounts

Royalty rate = 25% per book

Minimum rent = 400,000

Right to recoup short workings in 3 subsequent years

Yearly Output and Royalties:

2002:

Books = 400

Royalty = $400 \times 25\% = 100$

= 100

Short working = $400,000 - 100 = 399,900$

2003:

$1,000 \times 25\% = 250$

Short working = $400,000 - 250 = 150,000$

2004:

$1,800 \times 25\% = 450$

Excess = $450 - 400 = 50$

Recoup = 50 from 2002

Balance 2002 = $399,900 - 50 = 349,900$

2005:

$$2,005 \times 25\% = 501.25$$

$$\text{Excess} = 101.25$$

$$\text{Recoup from 2002} = 101.25$$

$$\text{Balance 2002} = 248,675$$

2006:

$$2,400 \times 25\% = 600$$

$$\text{Excess} = 200$$

Recoup:

$$\text{From 2002} = 200$$

$$\text{Balance 2002} = 48,675$$

All recoupments happen within 3 years, so remaining 48,675 is not recoverable after 2006

a) Peter Donkoa Account

Dr Royalties (actual) each year

Cr Cash Paid = 400,000

Adjust with short workings

b) Royalty Payable Account

$$2002 = \text{Dr } 100$$

$$2003 = \text{Dr } 250$$

$$2004 = \text{Dr } 450$$

$$2005 = \text{Dr } 501.25$$

$$2006 = \text{Dr } 600$$

c) Short Workings Recoverable

$$2002 = 399,900 \text{ (Initial)}$$

$$\text{Recouped: } 2004 = 50, 2005 = 101.25, 2006 = 200$$

$$\text{Total recouped} = 351.25$$

$$\text{Unrecouped} = 48,675$$

5. Chilindima Company Ltd – Cases Accounting for the year ending 31st March 2012

Given:

- Opening stock with customers = 6,800

- Opening warehouse stock = 5,000

- Purchased during year = 165,000

- Issued to customers = 10,500

- Returned within time = 3,400

- Destroyed = 200
- Sold as scrap = 50
- Closing stock with customers = 4,600

(i) Cases Stock Account

Opening balance (warehouse) = 5,000
 Add: Purchases = 165,000
 Total = 170,000

Less:

Issued to customers = 10,500
 Destroyed = 200
 Scrapped = 50
 Total issued or removed from stock = 10,750
 Closing stock (warehouse) = 170,000 - 10,750 = 159,250

(ii) Cases Trading Account

Cases issued = $10,500 \times 22 = 231,000$
 Returns = $3,400 \times 18 = 61,200$
 Scrap sales = $50 \times 300 = 15,000$
 Permanent kept by customers = $10,500 - 3,400 - 4,600 - 200 - 50 = 2,250$
 Permanent deposits = $2,250 \times 22 = 49,500$

Trading revenue:

Retained deposit = 49,500
 Scrap = 15,000
 Total = 64,500

(iii) Cases Income Statement

Income from retained deposits = 49,500
 Income from scrap = 15,000
 Total income = 64,500
 No expense reported, so net income = 64,500

6. Fusi Ngonyani Fire Loss Analysis

(i) Sales and Purchases

Receipts from debtors = 1,140,000
 Add discount allowed = 20,000
 Sales = 1,160,000

Payments to creditors = 1,024,000
 Add discount received = 36,000

Purchases = 1,060,000

(ii) Closing Stock on 10th May 2013

Opening stock = 1,240,000

Add purchases = 1,060,000

Goods available = 2,300,000

COGS = 75% of sales = 75% of 1,160,000 = 870,000

Drawings = 68,000

Stock salvaged = 180,000

Closing stock = 2,300,000 - (870,000 + 68,000 + 180,000) = 1,182,000

(iii) Insurance Claim

Total closing stock = 1,182,000

Less salvaged = 180,000

Claim = 1,002,000