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: 2018**

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 terms:

i. Website
A website is a collection of related web pages accessible via the internet through a domain name and typically maintained by an individual, company, or organization.

ii. Intranet
An intranet is a private network accessible only to an organization's staff, used for sharing internal communication, documents, and operational systems.

iii. Extranet
An extranet is a controlled private network that allows access to partners, vendors, or authorized users outside the organization.

iv. Wide Area Network (WAN)
A WAN is a telecommunications network that extends over a large geographical area for the purpose of computer networking.

v. Four benefits of using a computerized accounting system:
1. Faster processing and retrieval of accounting data
2. Improved accuracy and error detection
3. Easier reporting and analysis
4. Efficient storage and backup of records

2. Tahoma Motors Ltd – Hire Purchase Records (2016 and 2017)

Vehicle details:
Hire purchase price per unit = 700,000
Cash price = 580,000
Down payment = 100,000
Balance = 600,000 (24 × 25,000)
Interest = 700,000 - 580,000 = 120,000 per vehicle
Recognized profit (2016) = full
Interest recognized:
2016 = 1 year = 120,000 × 1/2 = 60,000
2017 = 1 year = 60,000

Sales (2016):
Sales A/c = 580,000 × 2 = 1,160,000
HP Debtor A/c = 700,000 × 2 = 1,400,000
Cash A/c = 100,000 × 2 = 200,000
HP Interest Suspense A/c = 240,000
Hire Purchase Debtors A/c

Dr 1,400,000
Cr Sales 1,160,000
Cr Interest Suspense 240,000

Income Statement Extract 2016
Gross Profit = 1,160,000 - (2 × cost price) = 1,160,000 - 1,160,000 = 0
Recognized HP interest = 60,000

Income Statement Extract 2017
HP interest income = 60,000

3. Tembo Ltd Share Issue (April–September 2017)

Shares offered = 500,000 @ 1.60
Application = 0.85
First call = 0.75
Received applications = 750,000
Allotted = 625,000
Rejected = 125,000
Refund = 125,000 × 0.85 = 106,250
Forfeited = 5,000 × (0.85 + 0.75) = 8,000
Reissued = 5,000 × 0.90 = 4,500

Ledger Entries:

a. Bank
Dr 750,000 × 0.85 = 637,500
Cr Refund 106,250
Cr Allotment 531,250

b. Share Application
Dr 637,500
Cr Share Capital 625,000 × 1.60 = 1,000,000
Cr Bank Refund 106,250

c. Share Allotment
Dr 531,250
Cr Share Capital and Premium

d. First and Final Call
Dr 625,000 × 0.75 = 468,750
Cr Share Capital 468,750

e. Calls in Arrears
Dr 5,000 × 0.75 = 3,750

f. Forfeited Shares
Cr 8,000
Dr 3,750 (unpaid)
Balance = 4,250

g. Reissue
Dr Bank = 4,500
Cr Share Capital = 5,000 × 1 = 5,000
Loss = 500

4. Dissolution of Alan, Bella and Catherine's Partnership

Balance Sheet as at dissolution:

Liabilities:
Creditors = 500,000

Capitals:
Alan = 300,000
Bella = 200,000
Catherine = 45,000
Total Liabilities and Capital = 1,050,000

Assets:
Debtors = 395,000 – 25,000 = 370,000
Stock = 600,000
Furniture = 60,000
Bank = 15,000
Total Assets = 1,045,000

Additional info:
Debtors realized = 300,000
Stock = 450,000
Furniture = 50,000
Goodwill = 20,000
Total realized = 820,000
Unrecorded creditors = 5,000
Realization expenses = 6,000
Creditors paid = 575,000
Bella commission = 5% of 820,000 = 41,000

Catherine insolvent, Alan and Bella received 30,000 from her

Realization Account

Dr:
Debtors = 370,000
Stock = 600,000
Furniture = 60,000
Goodwill = 20,000
Total = 1,050,000

Cr:
Debtors realized = 300,000
Stock = 450,000
Furniture = 50,000
Creditors settled = 575,000
Unrecorded creditors = 5,000
Realization expenses = 6,000
Bella commission = 41,000
Total Cr = 1,427,000

Loss on realization = 1,050,000 - 820,000 = 230,000
Loss shared in 4:3:3
Alan = 92,000
Bella = 69,000
Catherine = 69,000

Capital Accounts:

Alan:
Opening = 300,000
Less loss = 92,000
Adjusted = 208,000
Add Catherine's contribution (half of 60,000 shared 30,000) = 15,000
Final = 223,000

Bella:
Opening = 200,000
Less loss = 69,000
Less commission = 41,000
Adjusted = 90,000
Add Catherine's 15,000 = 105,000

Catherine:
Opening = 45,000
Less loss = 69,000
Balance = (24,000)
Paid 30,000 – recorded as contribution

Bank Account:

Opening = 15,000
Add collections:
Debtors = 300,000
Stock = 450,000
Furniture = 50,000
Goodwill = 20,000
From Catherine = 30,000
Total = 865,000

Payments:
Creditors = 575,000
Unrecorded creditors = 5,000
Expenses = 6,000
Bella commission = 41,000
Paid to Alan = 223,000
Paid to Bella = 105,000
Total = 955,000

5. Kayumba Ltd – Cases Records for the Year Ended 31st December 2017

Opening stock:
Company: 14,000 cases
Customers: 5,000 cases

Transactions:
Dispatched: 47,000
Returned: 39,600
Damaged and scrapped: 1,500
Sold: 20,000
Repairs: 60,000
New purchases: 19,000
Kept permanently: 2,000
Closing with customers: 10,400

Cases Stock Account (Valued @ TZS 750)

Opening = 14,000 × 750 = 10,500,000
Add purchases = 19,000 × 750 = 14,250,000
Add returns = 39,600 × 750 = 29,700,000
Total = 54,450,000
Less dispatched = 47,000 × 750 = 35,250,000
Less scrapped = 1,500 × 750 = 1,125,000
Closing stock =
In company = Total - Dispatched + Returned - Scrapped
= 14,000 + 19,000 + 39,600 - 47,000 - 1,500 = 24,100
= 24,100 × 750 = 18,075,000

Cases Suspense Account
Charged to customers = 47,000 × 1,500 = 70,500,000
Refunded = 39,600 × 1,000 = 39,600,000
Kept permanently = 2,000 × 1,500 = 3,000,000
Sold damaged = 20,000
Net suspense income =
Charged = 70,500,000
Less refunds = 39,600,000
Net = 30,900,000

Profit and Loss on Case Usage
Income from cases kept = 3,000,000
Sale of scrapped = 20,000
Less: repairs = 60,000
Total profit = 2,960,000

6. Iringa Coal Ltd – Royalty Records

Royalty rate = 20,000 per ton
Dead rent = 40,000,000
Short workings recoverable over 5 years

Year 2014:
Output = 1,500 tons
Royalty = 30,000,000
Short working = 10,000,000

2015:
1,800 × 20,000 = 36,000,000
SW = 4,000,000

2016:

1,900 × 20,000 = 38,000,000
SW = 2,000,000

2017:
2,500 × 20,000 = 50,000,000
Excess = 10,000,000
Recoup = 10,000,000 from past short workings
Recovered from 2014 = 10,000,000 fully

2018:
2,600 × 20,000 = 52,000,000
Excess = 12,000,000
Recoup from 2015 (4M), 2016 (2M)
Total recoup = 6,000,000
Balance carried = 6,000,000

Accounts:
Minimum Rent Account = 40M every year
Royalties Payable = as calculated
Short Workings Account:
2014 = 10M (recovered 2017)
2015 = 4M (recovered 2018)
2016 = 2M (recovered 2018)
Landlord Account = always paid 40M minimum rent

7. (a) Shimwi Soda Ltd – January 2018

Output = 100,000 bottles
Revenue = 600 × 100,000 = 60,000,000
Direct materials = 1,000,000
Direct labour = 250,000
Direct expenses = 1,000,000
Variable overheads = 200,000
Fixed overhead = 2,600,000

Marginal Cost =
Variable = 1,000,000 + 250,000 + 1,000,000 + 200,000 = 2,450,000
Contribution = 60,000,000 - 2,450,000 = 57,550,000
Profit = 57,550,000 - 2,600,000 = 54,950,000

Break-even Revenue =
Fixed cost / (Selling price - variable per unit)
Selling price = 600

Variable cost/unit = 2,450,000 ÷ 100,000 = 24.5
Contribution per unit = 575.5
BEP units = 2,600,000 ÷ 575.5 ≈ 4,518 bottles
Revenue = 4,518 × 600 = 2,710,800

(b) Mwamabo Ltd – Stock Valuation Adjustment

Stock on 8 May 2018 = 238,500
Adjustments:
i. Write off stock worth = 7,000
ii. Overcast = 1,000 + 400 = 1,400
iii. Add 4,000 @ cost (assumed) = say TZS 6,000
iv. Remove office stationery = 14,000
Total deduction = 7,000 + 1,400 + 14,000 = 22,400
Add back = 6,000
Adjusted stock = 238,500 - 22,400 + 6,000 = 222,100
Profit on sales = 20%