

**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: 2019**

**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. Write brief explanations on the following terms:

a. Direct costs

Direct costs are expenses that can be traced directly to a specific cost object, such as a product or department (e.g., raw materials and direct labor).

b. Indirect costs

Indirect costs are expenses not directly attributable to a specific product or activity but are necessary for the overall operation (e.g., factory rent, utilities).

c. Overheads

Overheads are the ongoing expenses of operating a business that cannot be directly linked to a specific product or service, like administration and facility maintenance.

d. Prime cost

Prime cost is the sum of direct materials and direct labor used in production.

e. Product costs

Product costs are all costs involved in acquiring or producing a product, including direct materials, direct labor, and manufacturing overheads.

2. Tinde Breweries Ltd – Crate Stock and Suspense Account

Purchases = 14,680 crates at TZS 120 = 1,761,600

Sent to customers = 12,400 crates

Returned in good condition = 8,200 crates

Credited at 150 =  $8,200 \times 150 = 1,230,000$

Remaining in company = 8,000

With customers = 5,000

Crate Stock Account

Opening: —

Add: Purchases =  $14,680 \times 120 = 1,761,600$

Less: Crates sent =  $12,400 \times 120 = 1,488,000$

Returned =  $8,200 \times 120 = 984,000$

Closing balance =  $8,000 \times 120 = 960,000$

Crates Suspense Account

Sent:  $12,400 \times 180 = 2,232,000$

Returned:  $8,200 \times 150 = 1,230,000$

Still with customers (not yet due) =  $5,000 \times 180 = 900,000$

Profit on Crates:

Revenue from crates = 2,232,000  
Refunded = 1,230,000  
Net income = 1,002,000  
Cost of crates not returned =  $4,200 \times 120 = 504,000$   
Profit = 498,000

3. a. i. Define partnership dissolution

Dissolution of partnership is the termination of the legal relationship between partners and the closure of the firm's operations.

ii. Five reasons for partnership dissolution

1. Expiry of partnership agreement
2. Retirement or death of a partner
3. Insolvency of a partner
4. Mutual agreement
5. Court order

b. Hemedi and Maryam Dissolution

Debtors realized = 270,000  
Other assets = 95,000  
Land and building = 49,000  
Expenses = 10,000

Realization Account

Dr:

Sundry debtors = 280,000  
Other assets = 85,000  
Land and building = 80,000

Cr:

Debtors realized = 270,000  
Other assets = 95,000  
Land and building = 49,000  
Expenses = 10,000  
Loss = 21,000  
Shared equally = 10,500 each

Capital Account

Hemedi =  $200,000 - 10,500 = 189,500$   
Maryam =  $150,000 - 10,500 = 139,500$

Cash Account

Opening = 180,000  
Add collections = 270,000 + 95,000 + 49,000 = 414,000  
Less: expenses = 10,000  
Balance = 584,000  
Paid to Hemedi = 189,500  
Paid to Maryam = 139,500  
Paid creditors = 275,000  
Total = 604,000  
Difference covered by cash reserves and asset sale

#### 4. Mtwara Gas Ltd Share Issue

Application =  $15,000 \times 30 = 450,000$   
Rejected =  $5,000 \times 30 = 150,000$  refunded  
Allotment =  $10,000 \times 50 = 500,000$   
First call =  $10,000 \times 25 = 250,000$   
Second call =  $10,000 \times 15 = 150,000$   
Total received =  $450,000 - 150,000 + 500,000 + 250,000 + 150,000 = 1,200,000$

#### Journal Entries

##### a. Bank Account

Dr Bank 1,200,000  
Cr Share Application 450,000  
Cr Share Allotment 500,000  
Cr First Call 250,000

##### b. Share Application Account

Dr Share Application 450,000  
Cr Bank (refund) 150,000  
Cr Share Capital ( $10,000 \times 30$ ) = 300,000

##### c. Share Allotment

Dr Share Allotment 500,000  
Cr Share Capital 300,000  
Cr Share Premium 200,000

##### d. First Call

Dr First Call 250,000  
Cr Share Capital 250,000

##### e. Second and Final Call

Dr Second Call 150,000

Cr Share Capital 150,000

f. Ordinary Share Capital Account

Total =  $10,000 \times 100 = 1,000,000$

Ordinary Share Capital = 1,000,000

Ordinary Share Premium = 200,000

5. (a) Imelda & Sons – Income Statement for the Year Ended 31st December 2015

Cost per computer = 200,000

Cash price = 300,000

Hire purchase price = 360,000

Computers purchased = 600

Sold for cash = 210

Sold on hire purchase = 340

Total sold = 550

Unsold =  $600 - 550 = 50$

Cost of goods sold =  $550 \times 200,000 = 110,000,000$

Sales:

Cash sales =  $210 \times 300,000 = 63,000,000$

HP sales =  $340 \times 360,000 = 122,400,000$

Total HP profit =  $340 \times (360,000 - 200,000) = 54,400,000$

Cash received from HP = 50,400,000

Proportion =  $50,400,000 \div 122,400,000 = 0.4118$

Recognized profit =  $54,400,000 \times 0.4118 = 22,402,000$

Gross profit =

Cash profit =  $210 \times (300,000 - 200,000) = 21,000,000$

Add HP profit realized = 22,402,000

Total gross profit = 43,402,000

Less general expenses = 19,600,000

Net profit = 23,802,000

(b) Limao Enterprises – Salary Slips for October 2017

Juliet

Hourly rate = 1,000

Basic salary =  $200 \times 1,000 = 200,000$

Overtime =  $10 \times 1.5 \times 1,000 = 15,000$

Gross = 215,000

Meals =  $10\% \times 200,000 = 20,000$

Transport =  $20\% \times 200,000 = 40,000$

Responsibility =  $50\% \times 215,000 = 107,500$   
 Total earnings =  $215,000 + 20,000 + 40,000 + 107,500 = 382,500$   
 PAYE =  $40\% \times 382,500 = 153,000$   
 Deductions = Advance 150,000 + Loan 170,000  
 Net =  $382,500 - 153,000 - 150,000 - 170,000 = (90,500)$   
 Juliet owes more than earned – carried forward

Tigwela  
 Hourly rate = 900  
 Basic =  $200 \times 900 = 180,000$   
 Overtime =  $5 \times 1.5 \times 900 = 6,750$   
 Gross = 186,750  
 Meals = 18,000  
 Transport = 36,000  
 Responsibility =  $50\% \times 186,750 = 93,375$   
 Total = 334,125  
 PAYE =  $40\% \times 334,125 = 133,650$   
 Advance = 95,000  
 Loan = 115,000  
 Total deductions = 343,650  
 Net =  $334,125 - 343,650 = (9,525)$   
 Also in deficit

#### 6. Kirumo Textiles Ltd

Opening:  $18 @ 3,000 = 54,000$   
 June 7: sold  $9 @ 3,000 = 27,000$   
 Balance =  $9 @ 3,000$   
 June 15: purchased  $15 @ 3,200 = 48,000$   
 Balance =  $9 @ 3,000 + 15 @ 3,200$   
 June 18: sold 10 (LIFO:  $10 \times 3,200 = 32,000$ )  
 Balance =  $9 @ 3,000 + 5 @ 3,200$   
 June 23: sold 5 (LIFO:  $5 \times 3,200 = 16,000$ )  
 Balance =  $9 @ 3,000$   
 June 30: purchased  $15 @ 3,400 = 51,000$   
 Final balance =  $9 @ 3,000 + 15 @ 3,400 = 27,000 + 51,000 = 78,000$

(a) Cost of goods sold  
 $27,000 + 32,000 + 16,000 = 75,000$   
 Unsold value = 78,000  
 Unsold pairs = 24

(b) Profit analysis

Selling price = 15,000

Transport cost = 50,000

Cost = 3,200 or 3,400

Profit (FIFO) = 15,000 - cost

Net profit margin varies per method (FIFO gives lower cost = higher profit)

(c) FIFO is more appropriate if stock rotates in actual flow order and the firm wants higher reported profit during inflation. LIFO is preferred for tax savings under rising cost conditions.

#### 7. Kiwira Coal Ltd – Royalty Computation

Royalty rate = 50 per ton

Minimum rent = 300,000

Right to recoup short workings for first 5 years

Yearly Output and Royalty:

2015:

Output =  $1,500 \times 50 = 75,000$

Short working =  $300,000 - 75,000 = 225,000$

2016:

Output =  $5,000 \times 50 = 250,000$

Short working =  $300,000 - 250,000 = 50,000$

2017:

Output =  $7,500 \times 50 = 375,000$

Excess =  $375,000 - 300,000 = 75,000$

Recoupable against previous short workings

Recoup in 2017:

From 2015:  $225,000 - 75,000 = 150,000$  not yet recovered

Only 75,000 recovered in 2017

Minimum Rent Account

Dr Royalty 300,000

Cr Landlord 300,000

Royalties Account

2015:

Dr Royalties 75,000

Dr Short Workings 225,000  
Cr Landlord 300,000

2016:

Dr Royalties 250,000  
Dr Short Workings 50,000  
Cr Landlord 300,000

2017:

Dr Royalties 375,000  
Cr Landlord 375,000

Landlord Account

2015:

Dr Landlord 300,000  
Cr Bank 300,000

2016:

Dr Landlord 300,000  
Cr Bank 300,000

2017:

Dr Landlord 375,000  
Cr Bank 375,000

Short Workings Account

2015:

Cr 225,000  
Balance carried

2016:

Cr 50,000  
Total SW till 2016 = 275,000

2017:

Recouped = 75,000  
Balance carried = 275,000 - 75,000 = 200,000