

**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: 2020**

**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 records, transactions, and statements of an entity to ensure accuracy and compliance with accounting standards and regulations.

b. Audit working papers

Audit working papers are documents prepared by auditors during the course of an audit. They provide evidence of the audit procedures performed, audit evidence obtained, and conclusions reached.

c. Audit programme

An audit programme is a detailed plan of the audit process. It outlines procedures to be followed, objectives to be achieved, and areas to be examined during the audit.

d. Internal audit

Internal audit is an independent evaluation conducted within an organization to assess the effectiveness of internal controls, risk management, and governance processes.

2. Briefly explain four devices which are used to input data into a computer:

- Keyboard – used to enter text and numeric data.
- Mouse – used to select and interact with on-screen items.
- Scanner – converts physical documents into digital format.
- Microphone – captures audio input for processing and storage.

3. TDI Ltd Hire Purchase Transactions

Total vehicles sold = 2

Hire purchase price per vehicle = 3,500,000

Total hire purchase price = 7,000,000

Cash price = 5,800,000

Cost = 2,800,000

Down payment =  $2 \times 500,000 = 1,000,000$

Balance =  $7,000,000 - 1,000,000 = 6,000,000$

Installments =  $250,000 \times 24 = 6,000,000$

Interest =  $7,000,000 - 5,800,000 = 1,200,000$

Interest per year =  $1,200,000 \div 2 \text{ years} = 600,000$

Sales Account

Dr Tanganyika Packers Ltd: 7,000,000

Cr Sales: 5,800,000

Cr Hire Purchase Interest Suspense: 1,200,000

Hire Purchase Debtor (Tanganyika Packers Ltd) Account

Dr: 7,000,000

Cr: Cash Deposit = 1,000,000

Cr: Balance = in installments = 6,000,000

Hire Purchase Income Statement for the Year Ended 31st December 2019

Sales (cash price) = 5,800,000

Cost = 2,800,000

Profit = 3,000,000

Interest recognized in 2019 = 600,000

Total Income = 3,600,000

4. Rukwa Ltd – Cases Stock and Suspense

Opening warehouse = 1,750

Opening with customers = 1,460

Purchases = 2,000

Sent to customers = 5,663

Returned = 5,104

Scrapped = 170

Retained = 36

Closing warehouse = 3,021

Closing with customers = 1,983

Repaired = TZS 2,570

Cases Stock Account

Opening = 1,750

Add purchases = 2,000

Add returns = 5,104

Total available = 8,854

Less: sent to customers = 5,663

Less scrapped = 170

Closing = 3,021

Balance check = 3,021

Cases Suspense Account

Deposit per case = 25

Refund per case = 20

Sent =  $5,663 \times 25 = 141,575$

Returned =  $5,104 \times 20 = 102,080$

Forfeited =  $36 \times 25 = 900$

Refunded = 102,080  
Closing liability =  $1,983 \times 20 = 39,660$   
Scrapped and forfeited = 900  
Total accounted =  $102,080 + 39,660 + 900 = 142,640$

#### 5. Mikese Extractors Ltd Royalty Calculation

Royalty rate = 400 per tonne  
Minimum rent = 2,000,000  
Short workings recoverable after 3 years

2015:  
Output =  $4,000 \times 400 = 1,600,000$   
Short working = 400,000

2016:  
Output =  $4,800 \times 400 = 1,920,000$   
Short working = 80,000

2017:  
Output =  $5,400 \times 400 = 2,160,000$   
No short working

2018:  
Output =  $5,600 \times 400 = 2,240,000$   
Excess = 240,000 – use to recover 2015 short working = 240,000 recovered from 400,000  
Balance from 2015 = 160,000

2019:  
Output =  $6,000 \times 400 = 2,400,000$   
Excess = 400,000  
Use 160,000 from 2015 and 80,000 from 2016  
Total recovered = 240,000  
Short working balance = 0

#### Royalties Payable Account

2015: 1,600,000  
2016: 1,920,000  
2017: 2,160,000  
2018: 2,240,000  
2019: 2,400,000

Civil Estates Ltd Account

Received full 2,000,000 each year = 10,000,000

Short Workings Account

2015: 400,000 (recovered 240,000 in 2018, 160,000 in 2019)

2016: 80,000 (recovered 80,000 in 2019)

All recovered by end of 2019

#### 6. Uchumi Ltd – Income Statement for the Year Ended 30th June 2019

Sales = 146,800

Opening stock = 23,500

Add: Purchases = 80% of 146,800 = 117,440

Goods available = 140,940

Less: Closing stock = 44,600

Cost of sales = 96,340

Gross profit = 146,800 - 96,340 = 50,460

Expenses:

Insurance = 14,400

Taxes and fees = 12,600

Advertising = 17,200

Director's remuneration = 26,800

Interest on debentures = 3,300

Bad debts = 2,500

Provision increase = 500

Carriage = 5,000

Total = 82,300

Profit/Loss before tax = 50,460 - 82,300 = (31,840)

Add: Interest received = 7,300

Net loss = 24,540

Profit and Loss Appropriation Account

Opening balance = 3,700

Less: Transfer to general reserve = 3,000

Preference dividend = 50,000 × 15% = 7,500

Ordinary dividend = 50,000 × 10% = 5,000

Total = 15,500

Balance carried forward = 3,700 - 15,500 = (11,800) deficit

## Statement of Financial Position as at 30th June 2019

### Assets

Machinery = 55,000

Stock = 44,600

Debtors =  $37,200 - 500 = 36,700$

Office furniture = 33,600

Cash and bank = 149,500

Total = 319,400

### Liabilities

Provision =  $1,800 + 500 = 2,300$

Creditors = 48,400

Taxes and fees = 12,600

Debentures = 55,700

Dividend payable = 12,500

Total = 131,500

### Capital

Ordinary = 50,000

Preference = 50,000

Share premium = 35,000

Retained earnings = (11,800)

General reserve = 3,000

Total = 126,200

Total capital and liabilities = 319,400

## 7. CB & MY Traders Amalgamation

### Step 1: Goodwill

CB average profit =  $(80 + 70 + 90 + 84) / 4 = 81$

MY average =  $(60 + 70 + 50 + 70) / 4 = 62.5$

CB goodwill = 81,000

MY goodwill = 62,500

### Step 2: Revaluation

CB:

Machinery +40,000

Furniture +2,000

Debtors 5% provision = 5,000

Net increase =  $42,000 - 5,000 = 37,000$

MY:

Furniture +2,000  
Debtors 5% provision = 4,500  
Net increase = 2,000 - 4,500 = (2,500)

CB Revaluation Account  
Gain: 40,000 + 2,000 = 42,000  
Loss: 5,000  
Net gain = 37,000  
Shared 2:3 → China = 14,800, Busweru = 22,200

MY Revaluation  
Loss = 2,500  
Shared equally = Muya and Yuda = 1,250 each

CB Capital Accounts  
China = 300,000 + 14,800 = 314,800  
Busweru = 400,000 + 22,200 = 422,200

MY Capital  
Muya = 240,000 - 1,250 = 238,750  
Yuda = 220,000 - 1,250 = 218,750

New firm CB & MY Traders as at 1st July 2019

Assets:  
Goodwill = 81,000 + 62,500 = 143,500  
Machinery = 240,000 + 40,000 = 280,000  
Furniture = 100,000 + 2,000 + 100,000 = 202,000  
Stock = 200,000 + 240,000 = 440,000  
Debtors = 90,000 + 90,000 - 5,000 - 4,500 = 170,500  
Bank = 70,000 + 12,000 = 82,000  
Cash = 100,000 + 12,000 = 112,000  
Total = 1,430,000

Liabilities:  
Creditors = 20,000 + 40,000 = 60,000  
Loan = 30,000 (excluded from takeover)  
Capital:  
China = 314,800  
Busweru = 422,200  
Muya = 238,750  
Yuda = 218,750  
Total capital = 1,194,500

Total liabilities and capital = 1,254,500

#### 8. Payroll Preparation for Kiota Jungle Ltd – October 2019

Mariam

Basic Salary = 200,000

Commission = 1% of 9,000,000 = 90,000

Gross = 200,000 + 90,000 = 290,000

Meal allowance = 10% × 200,000 = 20,000

Total income = 310,000

PSPF = 10% × 200,000 = 20,000

Charity donation = 10% × 200,000 = 20,000

Mid-month advance = 50,000

Tax:

150,000 - 300,000 range

Tax = 7,000 + 10% of (290,000 - 150,000) = 7,000 + 14,000 = 21,000

Net = 310,000 - 20,000 - 20,000 - 21,000 - 50,000 = 199,000

Simon

Basic = 3,500 × 5.5 hrs/day × 22 days = 3,500 × 121 hrs = 423,500

Bonus = 25,000

Gross = 448,500

Meal allowance = 10% × 423,500 = 42,350

Total income = 490,850

PSPF = 10% × 423,500 = 42,350

Tax:

Tax = 14,000 + 15% × (490,850 - 300,000) = 14,000 + 28,628 = 42,628

Net = 490,850 - 42,350 - 42,628 = 405,872

Tupone

Basic = 176 × 1,000 = 176,000

Overtime = 10 × 1,500 = 15,000

Gross = 191,000

Meal = 10% × 176,000 = 17,600

Total = 208,600

PSPF = 17,600

Tax:

Tax = 7,000 + 10% × (191,000 - 150,000) = 7,000 + 4,100 = 11,100

Net = 208,600 - 17,600 - 11,100 = 179,900



## Summary Table

Employee	Gross	Meal	Deductions	Tax	PSPF	Other	Net Pay
Mariam	290000	20000	Charity 20000	2100020000	Advance 50000	199	000
Simon	448500	42350	-	42628	42350	-	405872
Tupone	191000	17600	-	11100	17600	-	179900

## General Journal – 28th October 2019

Dr Salaries Expense	929,500
Dr Meal Allowance	79,950
Dr Employer's PSPF Contribution	79,950
Cr Bank (total payment)	784,772
Cr PSPF Payable	79,950
Cr Income Tax Payable	74,728
Cr Charity Payable	20,000
Cr Salary Advance (Mariam)	50,000