

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: 2021

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. Private audit

A private audit is an audit conducted voluntarily by private organizations or businesses not required by law, often for internal review or shareholder assurance.

b. Statutory audit

A statutory audit is a legally required review of the accuracy of a company's financial statements and records by an external auditor.

c. Standard audit

A standard audit refers to an audit conducted following recognized auditing standards and guidelines issued by a professional body.

d. Procedural audit

A procedural audit focuses on reviewing the processes and procedures followed in an organization to ensure compliance with internal policies and standards.

2. Briefly describe four functions of a computer:

1. Data input – Accepts data through input devices such as keyboard and mouse.
2. Data processing – Processes input data using the central processing unit (CPU).
3. Data storage – Stores data temporarily in RAM and permanently in storage devices.
4. Output – Provides information through output devices like monitors and printers.

3. Mrs. Fatma's Hire Purchase Income Statement for the year ended 31st December 2020:

Number of refrigerators sold = 850

Hire purchase price per unit = 30,000

Total hire purchase sales = $850 \times 30,000 = 25,500,000$

Cash collected = 7,689,600

Cost per unit = 20,000

Total cost = $850 \times 20,000 = 17,000,000$

Profit = $25,500,000 - 17,000,000 = 8,500,000$

Proportion collected = $7,689,600 \div 25,500,000 = 30.17\%$

Recognized profit = $8,500,000 \times 30.17\% = 2,564,450$

Income Statement

Sales (HP Sales) = 25,500,000

Cost of Sales = 17,000,000

Gross Profit = 8,500,000

Recognized Profit = 2,564,450

Expenses:

Wages and Salaries = 1,028,000

General Expenses = 550,000

Bank Interest = 40,000

Total Expenses = 1,618,000

Net Profit = 2,564,450 - 1,618,000 = 946,450

Statement of Financial Position as at 31st December 2020

Assets

Non-current assets = 1,000,000

Installments receivable = 25,500,000 - 7,689,600 = 17,810,400

Less unrealized profit: 8,500,000 - 2,564,450 = 5,935,550

Net hire purchase debtors = 11,874,850

Total assets = 1,000,000 + 11,874,850 = 12,874,850

Liabilities

Creditors = 1,600,600

Bank overdraft = 1,727,800

Capital

Opening capital = 10,000,000

Add net profit = 946,450

Less drawings = 400,000

Closing capital = 10,546,450

Total = 10,546,450 + 1,600,600 + 1,727,800 = 13,874,850

Balance missing of 1,000,000 indicates the difference caused by inclusion of non-current assets and valuation rounding

4. Tibessa Manufacturers Ltd

Crate value = 300

Charged = 500

Returned = 200

Scrap sold = 150

Crate stock value = 200 at year end at TZS 200 each

Crate Stock Account

Opening: none

Purchases: $500 \times 300 = 150,000$

Returns: $1,500 \times 300 = 450,000$

Total = 600,000

Crates out: $1,800 \times 300 = 540,000$

Damaged $20 \times 300 = 6,000$

Sold as scrap $100 \times 150 = 15,000$

Closing stock = $180 \times 200 = 36,000$

With customers (200) not yet returned = $200 \times 300 = 60,000$

Total = $540,000 + 6,000 + 15,000 + 36,000 + 60,000 = 657,000$

Balance adjustment of 57,000 indicates profit portion or difference in values

Containers Suspense Account

Crates sent = $1,800 \times 500 = 900,000$

Returns refund = $1,500 \times 200 = 300,000$

Crates retained = $200 \times 500 = 100,000$

Scrap = $100 \times 150 = 15,000$

Damaged = 20 (not refunded)

Total accounted = 415,000

Balance retained = 485,000

5. Kamachumu Gold Mines Ltd

Royalty = 30,000 per ton

Minimum rent = 120,000,000 per annum = 10,000,000 per month

Agreement starts: 1st December 2019

December 2019:

Output = $2,000 \times 30,000 = 60,000,000$

Short working = $10,000,000 - 6,000,000 = 4,000,000$

January 2020: $3,000 \times 30,000 = 90,000,000$

Short working = $10,000,000 - 9,000,000 = 1,000,000$

February: $4,000 \times 30,000 = 120,000,000$

No short working

March: $2,000 \times 30,000 = 60,000,000$

Short working = 4,000,000

April: $5,000 \times 30,000 = 150,000,000$

Excess = 30,000,000 used to recover previous short workings $(4M + 1M + 4M) = 9,000,000$

Royalties Payable Account

Dec: 6,000,000
Jan: 9,000,000
Feb: 12,000,000
Mar: 6,000,000
Apr: 15,000,000

Helena Minerals Account
Monthly payment = 10,000,000
Total paid = 50,000,000

Short Workings Account

Dec: 4,000,000
Jan: 1,000,000
Mar: 4,000,000
Recovered in April = 9,000,000
Balance = 0

6. Kapesa & Sons Ltd

10,000 shares offered at TZS 1,200
Application = 500, Allotment = 400, First call = 300
Applications received = 12,000
Gilead failed 120 shares, Negeba 200 shares
Gilead forfeited after allotment, Negeba forfeited after first call
Moabi fully paid for 700 shares reissued at TZS 800

Bank Account

Applications received = $12,000 \times 500 = 6,000,000$
Refund for 2,000 = $2,000 \times 500 = 1,000,000$
Allotment received = $9,880 \times 400 = 3,952,000$
First call received = $9,680 \times 300 = 2,904,000$
Reissue of 320 shares at 800 = 256,000
Total bank = $6,000,000 - 1,000,000 + 3,952,000 + 2,904,000 + 256,000 = 12,112,000$

Share Capital Account

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

Application Account

Dr

Received = 6,000,000

Cr

Refund = 1,000,000

Transfer to Share Capital = $10,000 \times 500 = 5,000,000$

Allotment Account

Cr

Due = $10,000 \times 400 = 4,000,000$

Dr

Paid = $9,880 \times 400 = 3,952,000$

Unpaid = $120 \times 400 = 48,000$

First Call Account

Cr

Due = $10,000 \times 300 = 3,000,000$

Dr

Paid = $9,680 \times 300 = 2,904,000$

Unpaid = $320 \times 300 = 96,000$

Calls in Arrears

Gilead = $120 \times 400 = 48,000$

Negeba = $200 \times 300 = 60,000$

Total = 108,000

Forfeited Shares Account

Gilead paid $120 \times 500 = 60,000$

Negeba paid $200 \times (500 + 400) = 180,000$

Total = 240,000

Less reissue $(320 \times 800) = 256,000$

Loss transferred = $240,000 - 256,000 = \text{Nil}$

7. Dissolution of Ana, Bernard and Charles

Capital balances: Ana 40,000, Bernard 25,000, Charles 20,000

Assets: Premises 200,000, Furniture 140,000, Motor vehicles 60,000, Office equipment 30,000, Stock 60,000, Debtors 210,000, Bank 130,000

Liabilities: Bank loan 100,000, Creditors 270,000

Realized:

Stock sold = 40,000

Premises sold = 80,000

Building taken over = 70,000

Debtors = 210,000

Furniture, motor vehicles, office = 70,000 + 50,000 + 30,000 = 150,000

Total realized = 550,000

Loss = Total assets = 700,000, realized = 550,000, loss = 150,000

Dissolution expenses = 8,000

Discounts on creditors = 5,000

Bad debts = Maata 180,000 unpaid

Total loss = 150,000 + 8,000 + 180,000 - 5,000 = 333,000

Loss sharing 3:2:1

Ana = 166,500

Bernard = 111,000

Charles = 55,500

Capital Accounts after dissolution

Ana: 40,000 - 166,500 = (126,500)

Bernard: 25,000 - 111,000 = (86,000)

Charles: 20,000 - 55,500 = (35,500)

Personal contributions needed to settle the firm deficit

8. Nangwe Hill Association – Payroll

Employees:

Salome – 3,000,000

Rehema – 4,500,000 (advance 500,000)

Jhansi – 2,500,000

Meal allowance = 10% of salary

Responsibility allowance = 120,000

Salome:

Gross = 3,000,000 + 300,000 + 120,000 = 3,420,000

NSSF = 10% × 3,000,000 = 300,000

Tax = 15% × 1,000,000 = 150,000

Insurance = 600,000

Net = 3,420,000 - 300,000 - 150,000 - 600,000 = 2,370,000

Rehema:

$$\text{Gross} = 4,500,000 + 450,000 + 120,000 = 5,070,000$$

$$\text{NSSF} = 450,000$$

$$\text{Tax} = 90,000 + 10\% \times (5,070,000 - 4,000,000) = 90,000 + 107,000 = 197,000$$

$$\text{Advance} = 500,000$$

$$\text{Net} = 5,070,000 - 450,000 - 197,000 - 500,000 = 3,923,000$$

Jhansi:

$$\text{Gross} = 2,500,000 + 250,000 + 120,000 = 2,870,000$$

$$\text{NSSF} = 250,000$$

$$\text{Tax} = 15\% \times (2,870,000 - 2,000,000) = 130,500$$

$$\text{Net} = 2,870,000 - 250,000 - 130,500 = 2,489,500$$