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: 2022**

Instructions

1. This paper consists of EIGHT questions.
2. Answer all questions in section A and three questions from section B.

1. Briefly explain the following accounting terms:

(a) Audit opinion
An audit opinion is the conclusion issued by an independent auditor after evaluating an organization's financial statements. It reflects the auditor's assessment of whether the financial statements present a true and fair view in accordance with applicable accounting standards.

(b) Qualified audit opinion
This is issued when the auditor concludes that, except for specific matters, the financial statements are fairly presented. It indicates there's a limitation or misstatement, but not pervasive enough to invalidate the whole report.

(c) Unqualified audit opinion
An unqualified opinion, also called a clean report, means the auditor finds the financial statements to be free from material misstatements and in accordance with applicable financial reporting frameworks.

(d) Adverse audit opinion
This is given when the auditor concludes that the financial statements are materially misstated and do not represent a true and fair view. It reflects major misstatements or discrepancies.

2. Mawenzi Enterprise

Sales price per TV = 1,000,000
Deposit = 300,000
Instalments = 10 × 70,000 = 700,000
Total TVs sold = 950
Total sales = 950 × 1,000,000 = 950,000,000
Cost per TV = 600,000
Cost of sales = 950 × 600,000 = 570,000,000
Gross profit = 950,000,000 - 570,000,000 = 380,000,000
Cash received = 418,000,000
Hire purchase profit = 380,000,000 × (418,000,000 ÷ 950,000,000) = 167,088,000

Hire Purchase Income Statement for year ended 30 April 2019

Sales revenue (HP)	950,000,000
Less: Cost of goods sold	570,000,000
Gross profit	380,000,000
Unrealized profit	212,912,000
Recognized profit	167,088,000
Less: Expenses	
Rates, rent, insurance	22,500,000
Wages	43,000,000

General expenses	51,350,000
Total expenses	116,850,000
Net profit	50,238,000

Statement of Financial Position as at 30 April 2019

Assets	
Non-current assets	50,000,000
Bank balance	53,150,000
Hire purchase receivables	950,000,000 - 418,000,000 = 532,000,000
Less unrealized profit	212,912,000
Real value of receivables	319,088,000
Total assets	422,238,000

Capital and Liabilities	
Capital	380,000,000
Add: Net profit	50,238,000
Less: Drawings	20,000,000
Closing capital	410,238,000
Sundry creditors	42,000,000
Total	452,238,000

3. Mr. Katembo

(a) Debtors Control Account

Opening balance	460,000
Add: Credit sales	x
Less: Receipts	570,000
Less: Discounts	10,000
Closing balance	650,000

460,000 + Sales - 580,000 = 650,000
Sales = 770,000

Creditors Control Account

Opening balance	540,000
Add: Purchases	x
Less: Payments	512,000
Less: Discounts received	18,000
Closing balance	490,000

540,000 + Purchases - 530,000 = 490,000
Purchases = 480,000

(b) Statement of stock destroyed

Opening stock 620,000
Add: Purchases 480,000
Goods available 1,100,000
Less: Cost of sales (770,000 × 0.75) = 577,500
Stock before fire 522,500
Less: Salvaged stock 60,000
Less: Donated stock 34,000
Stock destroyed 428,500

(c) Amount claimable

Stock insured 420,000
Claim = Minimum of stock destroyed and sum insured = 420,000

4. Mtwara Gas Ltd

Shares issued: 10,000 ordinary shares at 100 each
Premium = 20 per share
Breakdown:
Application = 30
Allotment = 50 (includes premium)
First call = 25
Second call = 15
Applications received = 15,000
Rejected = 5,000
Accepted = 10,000

Bank Account

Application received = 15,000 × 30 = 450,000
Refund = 5,000 × 30 = 150,000
Application for capital = 10,000 × 30 = 300,000
Allotment = 10,000 × 50 = 500,000
First call = 10,000 × 25 = 250,000
Second call = 10,000 × 15 = 150,000
Total bank = 1,200,000

Ordinary Share Capital Account

10,000 × 100 = 1,000,000

Share Premium Account

10,000 × 20 = 200,000

Application Account

Received = 450,000
Refund = 150,000
Transferred = 300,000

Allotment Account

Due = 500,000
Bank = 500,000

Extract of Statement of Financial Position

Share Capital	1,000,000
Share Premium	200,000
Bank Balance	1,200,000

5. Miembeni Breweries Limited buys containers for TZS 200, charges customers TZS 250, and allows TZS 150 on return. Containers are valued at TZS 100 for accounting purposes.

On 1st January 2017:
Warehouse stock = 8,000 containers
With customers = 16,000 containers

During the year ended 31st December 2019:
New containers purchased = 12,000
Containers sent to customers = 26,000
Containers returned = 19,000
Containers destroyed = 200
Containers sold as scrap = 100 at TZS 400
Closing with customers = 14,000 containers

Containers Stock Account

Opening stock (warehouse): 8,000 × 100 = 800,000
Add: Purchases: 12,000 × 200 = 2,400,000
Add: Returns from customers: 19,000 × 100 = 1,900,000

Total stock available = 5,100,000

Less:
Sent to customers: 26,000 × 100 = 2,600,000
Destroyed: 200 × 100 = 20,000
Scrap sold: 100 × 100 = 10,000
Closing warehouse stock:
Total containers = 8,000 (opening) + 12,000 (purchased) + 19,000 (returned) - 26,000 (sent) - 200 (destroyed) - 100 (scrap) = 12,700
Closing stock = 12,700 × 100 = 1,270,000

Containers Suspense Account

Charged to customers: 26,000 × 250 = 6,500,000
Returned and refunded: 19,000 × 150 = 2,850,000
Forfeited: 7,000 × 250 = 1,750,000
Still with customers (not due): 14,000 × 250 = 3,500,000
Total = 6,500,000

6. Chipata Company Ltd Cash Budget

Opening cash balance: 15,000
Credit terms: 1-month lag on both collections and payments

Quarter 1 (Jan – Mar)
Collections: October – December sales = 144,000
Payments: October – December purchases = 96,000
Expenses:
Rent = 1,600
Wages = 7,200 × 3 = 21,600
Other expenses = 20,000
Total outflows = 96,000 + 1,600 + 21,600 + 20,000 = 139,200
Closing balance = 15,000 + 144,000 - 139,200 = 19,800

Quarter 2 (Apr – Jun)
Collections: Q1 sales = 132,000
Payments: Q1 purchases = 72,000
Expenses:
Rent = 1,600
Wages = 21,600
Other expenses = 20,000
Equipment purchase = 15,000
Motor vehicle purchase = 12,000

Total outflows = 72,000 + 1,600 + 21,600 + 20,000 + 15,000 + 12,000 = 142,200
Opening balance = 19,800
Closing = 19,800 + 132,000 - 142,200 = 9,600

Quarter 3 (Jul – Sep)
Collections: Q2 sales = 156,000
Payments: Q2 purchases = 96,000
Expenses:
Rent = 1,600
Wages = 21,600
Other expenses = 20,000
Motor vehicle sold = inflow = 20,000
Total outflows = 96,000 + 1,600 + 21,600 + 20,000 = 139,200
Opening balance = 9,600
Closing = 9,600 + 156,000 + 20,000 - 139,200 = 46,400

Quarter 4 (Oct – Dec)
Collections: Q3 sales = 168,000
Payments: Q3 purchases = 84,000
Expenses:
Rent = 1,600
Wages = 21,600
Other expenses = 20,000
Total outflows = 84,000 + 1,600 + 21,600 + 20,000 = 127,200
Opening balance = 46,400
Closing = 46,400 + 168,000 - 127,200 = 87,200

7. Revaluation Account

Adjustments:
Goodwill valued at TZS 120,000 (no account raised) – shared in old ratio 3:2:1
Increase in value of patents from 30,000 to 40,000 = 10,000
Reduction in plant by 10% = 300,000 × 10% = 30,000
Reduction in expenses owing from 20,000 to 15,000 = 5,000

Revaluation Account

Dr
Decrease in plant = 30,000

Cr
Increase in patents = 10,000
Decrease in expenses = 5,000

Net loss = 30,000 - (10,000 + 5,000) = 15,000
Share of loss:
Peter (3/6) = 7,500
Teddy (2/6) = 5,000
Miriam (1/6) = 2,500

Partners' Capital Accounts

Peter:
Old capital = 120,000
Less revaluation loss = 7,500
Add goodwill compensation from Miriam and Teddy
Teddy's share in goodwill = 2/6 × 120,000 = 40,000
Miriam's share in goodwill = 1/6 × 120,000 = 20,000
Peter receives = 60,000
Adjusted capital = 172,500

Teddy:
Old capital = 100,000
Less revaluation loss = 5,000
Less goodwill compensation to Peter = 40,000
Balance = 55,000
Retirement = amount due left as loan = 55,000

Miriam:
Old capital = 90,000
Less revaluation loss = 2,500
Less goodwill compensation = 20,000
Balance = 67,500

New capital total = 250,000
Sharing ratio Peter:Miriam = 3:2
Peter's share = 150,000
Miriam's share = 100,000
Required capital adjustment:
Peter = 150,000 - 172,500 = over by 22,500 (withdraw)
Miriam = 100,000 - 67,500 = top up 32,500

Cash Account

Opening balance = 5,000
Peter draws = 22,500

Miriam adds = 32,500
Closing = 15,000

New Statement of Financial Position on 1st January 2019

Assets
Patents = 40,000
Plant = 270,000
Cash = 15,000
Stock = 110,000
Debtors = 95,000
Total = 530,000

Liabilities
Creditors = 100,000
Bills payable = 50,000
Expenses = 15,000
Loan to Teddy = 55,000
Total = 220,000

Capital
Peter = 150,000
Miriam = 100,000
Total = 250,000
Total capital and liabilities = 530,000

8. Salary Slips for July 2019

Allowances for all:
Meal = 50,000
Transport = 100,000

Sakina:
Basic = 300,000
Gross = 450,000
NSSF = 10% × 300,000 = 30,000
SACCOS = 5% × 300,000 = 15,000
Insurance = 20,000
Tax: 15% of (300,000 - 100,000) = 30,000
Net = 450,000 - 30,000 - 15,000 - 20,000 - 30,000 = 355,000

William:
Basic = 450,000

Gross = 600,000
Tax = 35,000 + 30% × (450,000 - 400,000) = 50,000
NSSF = 45,000
SACCOS = 22,500
Advance = 40,000
Net = 600,000 - 50,000 - 45,000 - 22,500 - 40,000 = 442,500

Hilder:
Basic = 250,000
Gross = 400,000
Tax = 15% × (400,000 - 100,000) = 45,000
NSSF = 25,000
SACCOS = 12,500
Net = 400,000 - 45,000 - 25,000 - 12,500 = 317,500

Peter:
Basic = 480,000
Gross = 630,000
Tax = 35,000 + 30% × 200,000 = 95,000
NSSF = 48,000
SACCOS = 24,000
Car loan deduction = 50,000
Net = 630,000 - 95,000 - 48,000 - 24,000 - 50,000 = 413,000