

**THE UNITED REPUBLIC OF TANZANIA  
NATIONAL EXAMINATIONS COUNCIL OF TANZANIA  
ADVANCED CERTIFICATE OF SECONDARY EDUCATION  
EXAMINATION**

**153/2**

**ACCOUNTANCY 2**  
(For Both School and Private Candidates)

**Time: 3 Hours**

**Year: 2023**

**Instructions**

1. This paper consists of sections A and B with a total of **eight (8)** questions.
2. Answer **all** questions in section A and **three (3)** questions from section B.
3. Each question in section A carries **ten (10)** marks and in section B **twenty (20)** marks.
4. Workings must be shown clearly and submitted.
5. Non programmable calculators may be used.
6. All writing must be in **blue** or **black** ink **except** drawing which must be in pencil.
7. Cellular phones and any unauthorised materials are **not** allowed in the examination room.
8. Write your **Examination Number** on every page of your answer booklet(s).



## SECTION A (40 Marks)

Answer all questions in this section. Each question carries ten (10) Marks.

1. Write brief explanations on the following auditing documents:
  - (a) Audit report
  - (b) Letter of management
  - (c) Letter of engagement
  - (d) Letter of representation
  
2. Mrs. Sakina has employed Melinda as her house maid. The employment contract stipulates that Melinda has to work for 200 hours per month for a wage rate of TZS 1500 per hour. Any hour worked in excess of the basic working hours in a month will be compensated at one and a half times the normal rate of the pay. During the month ending 31<sup>st</sup> August, 2020 she worked for 215 hours. Melinda pays income tax of TZS 15,000 plus 25 per cent of the earnings above TZS 300,000 per month and contributes ten per cent of her basic salary to national provident fund monthly. She is also entitled to transport allowance of TZS 10,000 per week, meal allowance at 12 per cent of her basic salary per month and medical service allowance of TZS 20,000 per month.

Use the information provided to prepare Melinda's Salary Slip and the General Journal to record the Payroll for the month ending 31<sup>st</sup> August, 2020.

3. Owing to staff illness, Frank Ironside Ltd was not able to take stock of its inventory on 31<sup>st</sup> December, 2019. However, the company was able to do so on 17<sup>th</sup> January, 2020 when the cost value of inventory was estimated at TZS 960,000. The company's transactions during the period of 1<sup>st</sup> to 17<sup>th</sup> January, 2020 were as follows:

Credit Purchases TZS 1,020,000, cash purchases TZS 950,000, credit sales TZS 830,000, cash sales TZS 580,000, carriage inwards TZS 75,000, returns inwards TZS 640,000, returns outwards TZS 920,000, cost value of stock scrapped TZS 100,000 and invoice value of goods in the hands of a consignee amounted to TZS 640,000. Invoice value of goods sent to a customer on sale or return basis TZS 870,000, the customer has confirmed to buy only 50% of this value and 12% of credit sales have been confirmed as being bad debts. One page of the stock sheets prepared on 17<sup>th</sup> January, 2020 has been under cast by TZS 78,600 and a quantity of stock bought in 2020 which has been included in stock valuation on 17<sup>th</sup> January, 2020, TZS 50,000 had been expired; instruction has now been given for the destruction of this lot. It has been established that Frank Ironside Ltd achieves a uniform rate of gross profit of 25% on cost.

Compute the cost value of Frank Ironside Ltd's inventory on 31<sup>st</sup> December, 2019.

4. SBC Ltd is a manufacturing company that manufactures a soft drink called Kinywaji. During the month of January, 2019, it manufactured 500,000 bottles full of Kinywaji, the costs associated with this level of production were direct materials TZS 10,000,000; direct labour TZS 1,350,000; direct expenses TZS 2,000,000; variable overheads TZS 1,120,000 and fixed overhead expenses for the year ended 31<sup>st</sup> December, 2019 were estimated to be TZS 1,400,000; revenue is TZS 200 per bottle of Kinywaji.

Using the information provided:

- (a) Prepare a cost statement showing marginal cost and profit or loss for the month of January, 2019.
- (b) Calculate the break-even point in number of bottles and revenue.
- (c) Show that at break-even point total revenue is equal to total cost. Use the values calculated in question 4 (b).

### SECTION B (60 Marks)

Answer **three (3)** questions from this section. Each question carries **twenty (20)** marks.

5. Sun Systems Ltd issued 100,000 ordinary shares of TZS 200 each payable by installments as follows: TZS 50 on application, TZS 50 on allotment, TZS 40 on first call, TZS 30 on second call and TZS 30 on the third and final call. Applications were received for 145,000 shares. The directors decided to reject applications for 45,000 shares and the money received in respect of these shares was refunded. The following shareholders failed to pay the amounts due on their shares as shown in the following table:

Name	Shares held	Amounts not paid
Mr. Kahitira	200	1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> calls
Mr. Kambarage	400	2 <sup>nd</sup> and 3 <sup>rd</sup> calls
Mr. Mafwimbo	600	3 <sup>rd</sup> call

With the exception of Mr. Kahitira, Kambarage and Mafwimbo, all the shareholders paid their dues as scheduled. The Directors then forfeited the shares from Mr. Kahitira, Kambarage and Mafwimbo and re-issued them to Mr. Medium as fully paid up for TZS 220 per share.

Use the information provided to prepare the following accounts: Bank, Ordinary Shares Application, Ordinary Shares Allotment, 1<sup>st</sup> Call, 2<sup>nd</sup> Call, 3<sup>rd</sup> Call, Ordinary Share Capital, Forfeited Shares, Re Issued Shares and Ordinary Share Premium.

6. A new firm LG & Company sells its goods in containers for which a deposit is chargeable to customers on delivery of goods, a credit being allowed on their return within three months. During the year ended 31<sup>st</sup> December, 2019 the company had the following transactions:  
Eight hundred new containers were bought for TZS 400 each, 3,800 containers were sent to customers at a deposit of TZS 800 per container and 2,200 containers were returned by customers and credited to their accounts at TZS 600 each. 1000 containers were kept by customers beyond the three months' limit and they therefore forfeited their right to return them to obtain a refund of the deposit. 200 containers were damaged and sold for TZS 1000 each. On 31<sup>st</sup> December, 2019 there were 600 returnable containers with customers

and 1,200 containers at LG & Company's warehouse. The stock of containers at 31<sup>st</sup> December, 2019 is to be valued at TZS 300 per container to provide for depreciation through usage.

Use the information provided to prepare the Containers Stock Account and Containers Suspense Account in the books of LG & Company.

7. Henry Rook commenced business as a dealer in Typewriters and obtained an agency for Type Fast brand of typewriters for his area. He sells the typewriters both for cash and on hire purchase terms. It is the policy of Henry Rook to take credit for gross profit including interest in proportion to cash received from debtors in the year. The following is a summary of his transactions for the year ending 31<sup>st</sup> December, 2019:

<b>Details</b>	<b>TZS</b>
Cost per typewriter	400,000
Cash selling price per typewriter	500,000
HP selling price per typewriter	580,000
Cash received from HP debtors	7 0,600,000
General expenses	18,800,000
Number of Typewriters purchased during the year	800
Number of typewriters sold on cash terms	300
Number of typewriters sold on hire purchase terms	450
Wages and salaries	450,000
Carriage outwards	200,000
Rent and rates	350,000
Water and electricity	500,000
Insurance	225,000
Stationery	250,000
Postage and Telephone expenses	300,000
Storage charges	100,000

Use the information provided to prepare Henry Rook's Income Statement for the year ended 31<sup>st</sup> December, 2019.

8. Arnold, Bester and Cheddy were partners in a firm sharing profits and losses in the ratio of 40%, 30% and 30% respectively. The firm was dissolved on 31<sup>st</sup> December, 2019 and Bester was appointed to realize the assets and distribute the proceeds to the beneficiaries. Bester was to receive 5% commission on the amounts realized from the sale of assets and to bear all the costs of realization. The balance sheet of the firm on the date of dissolution was as follows:

Arnold, Bester and Cheddy Balance sheet as at 31<sup>st</sup> December, 2019

<b>Liabilities</b>	<b>TZS</b>	<b>Assets</b>	<b>TZS</b>	<b>TZS</b>
Creditors	5,900,000	Cash		150,000
Capital:		Debtors	3,900,000	
Arnold	3,000,000	Less: Provision for doubtful debts	<u>200,000</u>	3,700,000
Bester	2,000,000	Stock		6,000,000
		Furniture		600,000
		Cheddy's Capital		450,000
	10,900,000			10,900,000

Additional information:

Debtors realized TZS 3,000,000; stock TZS 4,500,000; furniture TZS 500,000; goodwill TZS 200,000; creditors were paid TZS 5,750,000 in full settlement. In addition, unrecorded creditors of TZS 50,000 were also paid; the cost of dissolution amounted to TZS 60,000. Arnold and Bester agreed to receive TZS 300,000 in full settlement from Cheddy.

Use the information provided to prepare the Realization Account, Cash Account and Partners' Capital Accounts.

