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: 2024**

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 meaning of each of the following accounting terms:

(a) Internal audit
Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by evaluating and improving the effectiveness of risk management, control, and governance processes.

(b) Internal control system
An internal control system comprises the policies, procedures, and mechanisms put in place by an organization to ensure the integrity of financial and accounting information, promote accountability, and prevent fraud. It includes controls over financial reporting, compliance, and operational efficiency.

(c) Auditor’s report
An auditor's report is a formal opinion issued by an external auditor regarding the accuracy and fairness of an organization’s financial statements. It states whether the financial statements present a true and fair view in accordance with applicable financial reporting standards.

(d) Audit evidence
Audit evidence refers to the information collected by an auditor to form a basis for their opinion on a company’s financial statements. It includes documents, records, observations, confirmations, and analytical procedures that support the auditor’s conclusions.

2. In a tabular form, differentiate computerized accounting system from the manual or traditional accounting system based on the following five criteria: Record keeping, accounting errors, posting of accounting entries to the ledgers, closing of books and consolidation of financial statements.

Criteria	Computerized Accounting System	Manual Accounting System
Record keeping	Records are stored digitally and automatically updated	Records are maintained manually in physical books
Accounting errors	Reduces errors through automation and built-in checks	Prone to errors due to manual calculations
Posting of accounting entries	Done automatically once data is entered	Requires manual posting to ledgers
Closing of books	Can be closed quickly using accounting software	Takes longer due to manual preparation and verification
Consolidation of financial statements	Automatically consolidated using system tools	Requires manual compilation from different records

3. Kicheko purchased seven trucks on hire purchase on 1st July, 2022. The cash purchase price of each truck was TZS 50,000,000. He was to pay 20% of the cash purchase price on delivery and the balance in

five half-yearly instalments starting from 31st December, 2022 with interest at 5% per annum. Kicheko failed to pay the instalment due on 30th June, 2023 and it was agreed that Kicheko would return 3 trucks to the vendor and retain the remaining trucks. The return price of the 3 trucks was TZS 40,500,000. Kicheko charges depreciation at 20% per annum on all the trucks. After spending TZS 1,000,000 on repairing the returned trucks, the vendor sold them away for TZS 40,000,000.

Using the information provided, prepare the following:
(a) Trucks and Hire Purchase Vendor Accounts in the books of Kicheko for the two years ending 31st December, 2023.

(b) Hire Purchase Debtor and Goods Repossessed Accounts in the books of hire purchase vendor for the two years ending 31st December, 2023.

3(a) Trucks and Hire Purchase Vendor Accounts in the books of Kicheko for the two years ending 31st December, 2023.

Cost of 7 trucks = 7 × 50,000,000 = TZS 350,000,000
Deposit (20%) = 20% × 350,000,000 = TZS 70,000,000
Balance payable = 280,000,000 in 5 instalments with 5% interest

Each instalment = 280,000,000 ÷ 5 = 56,000,000 (excluding interest)
Interest per annum on balance (for simplicity, we apply on full outstanding yearly)

Instalments due:
- 31st December 2022
- 30th June 2023 (not paid, default)

Returned 3 trucks: Cost = 3 × 50,000,000 = TZS 150,000,000
Remaining trucks = 4 × 50,000,000 = TZS 200,000,000

Depreciation:
Rate = 20% per annum (straight-line method)

Year 2022 depreciation for 6 months (July–December):
On full 7 trucks = 350,000,000 × 20% × 6/12 = TZS 35,000,000

Year 2023 depreciation:
On 4 trucks = 200,000,000 × 20% = TZS 40,000,000

Trucks Account (in the books of Kicheko)

Dr: Trucks Account

Cr: Hire Purchase Vendor / Disposal / Depreciation

Date	Particulars	Amount (TZS)
01/07/2022	Hire Purchase Vendor	350,000,000
31/12/2022	Depreciation (6 months)	35,000,000
30/06/2023	Trucks Returned (3 units)	150,000,000
31/12/2023	Depreciation (4 trucks)	40,000,000
	Balance c/d	125,000,000
	Total	350,000,000

Hire Purchase Vendor Account (in the books of Kicheko)

Dr: Payments, Returns
Cr: Trucks cost + interest

Date	Particulars	Amount (TZS)
01/07/2022	Trucks A/c	350,000,000
01/07/2022	Bank (Deposit paid)	70,000,000
31/12/2022	Bank (1st Instalment)	56,000,000
31/12/2022	Interest (5% × 280M × 6/12)	7,000,000
30/06/2023	Trucks returned (3 units)	150,000,000
	Balance c/d	67,000,000
	Total	350,000,000

3(b) Hire Purchase Debtor and Goods Repossessed Accounts in the books of hire purchase vendor for the two years ending 31st December, 2023.

Working in vendor's books:

- Total due = TZS 350,000,000
- Deposit received = 70,000,000
- First instalment = 56,000,000 + 7,000,000 interest
- Returned trucks = 3 units at value TZS 40,500,000
- Repair cost = 1,000,000
- Sale value = 40,000,000

Hire Purchase Debtor Account (in books of vendor)

Dr: Payments & goods repossessed
Cr: Sales + Interest

Date	Particulars	Amount (TZS)
01/07/2022	Trucks Sold	350,000,000
01/07/2022	Bank (Deposit received)	70,000,000
31/12/2022	Bank (1st Instalment)	56,000,000
31/12/2022	Interest Income	7,000,000
30/06/2023	Goods Repossessed A/c	40,500,000
	Balance c/d	176,500,000
	Total	350,000,000

Goods Repossessed Account (in books of vendor)

Date	Particulars	Amount (TZS)
30/06/2023	Hire Purchase Debtor A/c	40,500,000
2023	Bank (Repair Cost)	1,000,000
2023	Profit & Loss (Loss)	1,500,000
2023	Bank (Sale proceeds)	40,000,000
	Total	41,500,000

4. Thawabi Ltd sells their products in returnable containers which cost TZS 50,000 each. A container is charged out to customers at TZS 100,000. If the customers return the containers in good condition within three months, a credit is given at TZS 75,000 per container. At the end of the year, all containers owned by the company; whether within the factory or in the hands of customers are valued at TZS 25,000 each for accounting purpose.

On 1st January 2023, the company had 240 containers in the factory and 300 in the hands of customers. During the year 2023, 200 new containers were purchased; 600 were charged out to customers; 560 were returned by the customers within the prescribed period and 20 containers were kept by customers beyond the three months' time limit. During the year ended 31st December 2023, 8 containers were sold for TZS 10,000 each and 3 others were scrapped. When stock was taken on 31st December 2023, there was a deficit of 9 containers.

Using the information provided, prepare the Container Stock, Containers Suspense Accounts and the Statement of profit or loss on container's usage.

1. Containers Stock Account

Date	Particulars	Qty	Unit Value	Amount (TZS)
01/01/2023	Balance b/d (in factory)	240	50,000	12,000,000
2023	Purchases	200	50,000	10,000,000
2023	Returned from customers (560)	560	50,000	28,000,000
	Total Available	1000		50,000,000
Less:				
2023	Charged to customers (600)			
2023	Sold (8 × 50,000)	8	50,000	400,000
2023	Scrapped (3 × 50,000)	3	50,000	150,000
2023	Lost (9 × 50,000)	9	50,000	450,000
31/12/2023	Balance c/d (in factory)	380	50,000	19,000,000
	Total			50,000,000

Factory stock on 31st Dec = Opening 240 + Purchased 200 + Returned 560 - Issued 600 - Sold 8 - Scrapped 3 - Lost 9 = 380 units

2. Containers Suspense Account

This records containers in the hands of customers.

Date	Particulars	Qty	Unit Value	Amount (TZS)
01/01/2023	Balance b/d (customers)	300	50,000	15,000,000
2023	Containers issued (charged)	600	50,000	30,000,000
	Total	900		45,000,000
Less:				
2023	Returned in time (560)			-
2023	Not returned (20 retained)	20	50,000	1,000,000
31/12/2023	Balance c/d (in hands of customers)	320	50,000	16,000,000
	Total			45,000,000

Closing customer stock = Opening 300 + Issued 600 - Returned 560 - Retained 20 = 320 units

3. Statement of Profit or Loss on Container’s Usage for the Year Ended 31st Dec 2023

Particulars	TZS
Container income (20 retained × 100,000)	2,000,000
Less: Refund given (560 × 75,000)	42,000,000
Less: Cost of containers sold (8 × 50,000)	400,000
Add: Sale proceeds (8 × 10,000)	80,000
Less: Cost of scrapped containers (3 × 50,000)	150,000
Less: Cost of lost containers (9 × 50,000)	450,000
Net Loss on container operations	(40,920,000)

5. Msoma Kweli, the owner of automatic door closers technology, granted Muswaki Enterprises Ltd a licence for ten years to manufacture and sell door closers on the following terms:
(a) Muswaki Enterprises Ltd to pay a royalty of TZS 1,000 for every door closer sold with a minimum payment of TZS 500,000 per annum. Calculation to be made annually on 31st December but payment to be made on 31st January of the next year.
(b) If for any year, the royalties calculated on door closers sold amount to less than TZS 500,000, Muswaki Enterprises Ltd may set off the deficiency against royalties payable in excess of that sum in the next two years.

With effect from the end of the second year, the agreement was varied and a minimum annual payment of TZS 400,000 was substituted for TZS 500,000. The other terms of the agreement remained unchanged. The following units of door closers were sold during the first four years:

Year ending 31st December	Units
2017	200
2018	400
2019	600
2020	500

Using the information provided, prepare the Minimum Rent, Royalties, Short Workings and Landlord accounts for the four years ending 31st December 2017, 2018, 2019 and 2020.

Workings:

Royalty = TZS 1,000 × units
Minimum rent:
- 2017: 500,000
- 2018: 500,000
- 2019: 400,000
- 2020: 400,000

Yearly Calculations:

2017:
Royalty = 200 × 1,000 = 200,000
Short workings = 500,000 - 200,000 = 300,000

2018:
Royalty = 400 × 1,000 = 400,000
Short workings = 500,000 - 400,000 = 100,000
Carry forward 2017's short workings = 300,000
Total unrecouped = 300,000 + 100,000 = 400,000

2019:
Royalty = 600 × 1,000 = 600,000
Minimum rent = 400,000
Excess royalty = 200,000
Recouped from short workings = 200,000
Remaining unrecouped = 200,000

2020:
Royalty = 500 × 1,000 = 500,000
Minimum rent = 400,000
Excess = 100,000
Recouped from short workings = 100,000
No balance carried forward

Statement Summary:

Year	Units	Royalty	Minimum Rent	Short Workings	Recouped
2017	200	200,000	500,000	300,000	-
2018	400	400,000	500,000	100,000	-
2019	600	600,000	400,000	-	200,000
2020	500	500,000	400,000	-	100,000

6. General Tyre Ltd is a company located at Njiro industrial area in Arusha. The company deals with production of tyres of different sizes. The company issued a share capital of TZS 1,000,000 divided into 2,000 ordinary shares of TZS 500 per share. The shares are payable by instalment as follows: TZS 100 on application (including premium), TZS 180 on allotment, TZS 130 on first call and TZS 120 on the second call.

Applications were received for 2,900 shares. Applicants for 400 shares were rejected, the balance being allotted on pro-rata basis. Allotment monies were duly received with the exception of 300 shares for which the subscriber failed to pay. The calls were made and the subscribers paid for their shares accordingly except the holder of the three hundred shares who failed to pay on allotment. In addition, Mr. Kamundi failed to pay his dues on the first and second calls on his 160 shares. The 460 shares were forfeited for non-payment of allotment and call moneys and later on were re-issued for TZS 520 per share. The new subscriber paid for the shares in full.

Using the information provided to prepare the Bank, Application and Allotment, Ordinary Share Premium, Ordinary Share Capital, First Call, Second Call, Calls in Arrears, Forfeited Shares and Re-Issued Shares Accounts.

Working:

Total shares issued = 2,000 shares
Application money = 100 (including premium of 20)
Allotment = 180
First call = 130
Second call = 120
Total per share = 530
Nominal value = 500
Premium = 30 per share (20 on application, 10 on allotment)

Applications received = 2,900
Rejected = 400 → money refunded = 400 × 100 = 40,000
Accepted = 2,500
But only 2,000 shares to be allotted → 2,500 applied = pro-rata basis (5:4)
Shares allotted = 2,000
Excess = 500 shares' application = 500 × 100 = 50,000 adjusted against allotment

Failure to pay allotment on 300 shares = 300 × 180 = 54,000
Kamundi failed to pay 1st and 2nd call on 160 shares
1st call = 160 × 130 = 20,800
2nd call = 160 × 120 = 19,200

Forfeited:
- 300 shares (non-payment of allotment)
- 160 shares (non-payment of calls)
Total forfeited = 460 shares
Reissued at 520 per share = 520 × 460 = 239,200
Nominal value = 460 × 500 = 230,000
Premium = 9,200

Bank Account

Dr

Application received (2,900 × 100) = 290,000

Less: Refund (400 × 100) = 40,000

Allotment received (2,000 × 180 - 300 × 180) = 360,000

1st call received = 2,000 × 130 - 160 × 130 = 239,200

2nd call received = 2,000 × 120 - 160 × 120 = 224,800

Reissue of 460 shares × 520 = 239,200

Total = 1,353,200

Application and Allotment Account

Cr

Total due on 2,000 shares:

Application = 2,000 × 100 = 200,000

Allotment = 2,000 × 180 = 360,000

Total = 560,000

Less adjustments = excess application = 50,000

Actual cash = 510,000

300 shares unpaid on allotment = 54,000

Share Capital Account

Cr

2,000 shares × 500 = 1,000,000

Share premium = 2,000 × 30 = 60,000

Total = 1,060,000

Calls in Arrears

300 shares unpaid on allotment = 54,000

Kamundi's 160 shares on 1st call = 20,800

Kamundi's 160 shares on 2nd call = 19,200

Total = 94,000

Forfeited Shares Account

300 shares paid application only = 300 × 100 = 30,000

160 shares paid application and allotment = 160 × (100 + 180) = 44,800

Total received = 74,800

Less transferred to capital reserve after reissue =

Reissue proceeds = 239,200

Nominal value = 230,000
Profit on reissue = 9,200
Capital reserve = 9,200

7. Alaba, Bisau, and Chelewa were partners in ABC Ventures sharing profits and losses in the ratio of 3:2:1. The following is their statement of financial position as at 31st December 2022:

Statement of Financial Position as at 31st December 2022:

Assets
Non-Current Assets
Premises: 6,000,000
Furniture and fittings: 480,000
Equipment: 1,520,000
Motor vehicles: 1,280,000
Total non-current assets: 9,280,000

Current Assets
Inventory: 2,200,000
Accounts receivable: 1,480,000
Bank: 560,000
Total current assets: 4,240,000
Total assets: 13,520,000

Capital and Liabilities
Capital Accounts:
Alaba: 5,226,000
Bisau: 3,626,000
Chelewa: 2,028,000
Total capital: 10,880,000

Current Liabilities
Accounts payable: 2,240,000
Total capital and liabilities: 13,520,000

The partners decided to dissolve the partnership as at 1st January 2023. The premises and inventory were sold for TZS 5,200,000. The accounts receivable realized TZS 1,200,000. Equipment and furniture and fittings were sold for TZS 1,000,000 and 440,000 respectively. Motor vehicles were taken over by Alaba and Bisau at agreed values of TZS 600,000 and TZS 400,000 respectively.

Using the information provided, prepare the Realization, Bank and partners' Capital Accounts to record the dissolution of the firm.

Realization Account

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Dr | TZS | Cr | TZS
-------------------------------------|-------------|---------------------------------------|-------------
Premises | 6,000,000 | Creditors settled | 2,240,000
Furniture and fittings | 480,000 | Bank - Premises and inventory | 5,200,000
Equipment | 1,520,000 | Bank - Equipment | 1,000,000
Motor vehicles | 1,280,000 | Bank - Furniture and fittings | 440,000
Inventory | 2,200,000 | Bank - Receivables | 1,200,000
Accounts receivable | 1,480,000 | Alaba - Motor vehicle taken over | 600,000
| | Bisau - Motor vehicle taken over | 400,000
| | Loss transferred to:
| | Alaba (3/6 of 3,080,000) | 1,540,000
| | Bisau (2/6 of 3,080,000) | 1,026,667
| | Chelewa (1/6 of 3,080,000) | 513,333
Total | 12,960,000 | Total | 12,960,000
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Loss on realization = Total assets - total realizations = 12,960,000 - 9,880,000 = 3,080,000

Bank Account

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Dr | TZS | Cr | TZS
-------------------------------------|-------------|---------------------------------------|-------------
Balance b/d | 560,000 | Creditors | 2,240,000
Receipts from sale:
Premises and inventory | 5,200,000 | Partners (capital settlements):
Equipment | 1,000,000 | Alaba | 3,686,000
Furniture and fittings | 440,000 | Bisau | 2,799,333
Accounts receivable | 1,200,000 | Chelewa | 674,667
Total | 8,400,000 | Total | 8,400,000
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Partners' Capital Accounts

Alaba

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Dr | TZS | Cr | TZS
-------------------------------------|-------------|---------------------------------------|-------------
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Realization loss	1,540,000	Balance b/d	5,226,000
Motor vehicle taken over	600,000	Bank	3,686,000
Total	2,140,000	Total	2,140,000

Bisau

Dr	TZS	Cr	TZS
Realization loss	1,026,667	Balance b/d	3,626,000
Motor vehicle taken over	400,000	Bank	2,799,333
Total	1,426,667	Total	1,426,667

Chelewa

Dr	TZS	Cr	TZS
Realization loss	513,333	Balance b/d	2,028,000
		Bank	1,514,667
Total	513,333	Total	513,333

8. Mrs. Jumbe operates a grocery at Mbagala in Dar es Salaam. She has three employees in her payroll namely: Josephine, Abdallah and Chinga. The employees normally work 8 hours a day and 22 days in a month. Any time worked beyond the normal working time in a day is compensated at one and a half times the normal rate. Time worked on Sundays and holidays is compensated twice the normal rate. The minimum pay is fixed at the normal working hours of the month. The normal hourly rate for Josephine, Abdallah and Chinga is TZS 4,000, TZS 10,000 and TZS 5,600 respectively. During the month ending 30th November 2023, the employees worked as follows:

Employee	Total hours	Normal hrs	Overtime	Holidays
Josephine	184	176	-	8
Abdallah	190	176	14	-
Chinga	224	176	32	16

Benefits:
a. Transport allowance = TZS 6,000 × 22 = 132,000
b. Hardship allowance = 200,000

c. Housing assistance = 25% of basic pay × taxable at 15%

Deductions:
- Income tax (PAYE): use provided table
- NSSF: 10% employee, 10% employer
- Development levy: 1% of basic salary
- Employer advanced TZS 400,000 to Chinga

Working (for each employee separately):

Josephine
Basic pay = 176 × 4,000 = 704,000
Holiday pay = 8 × 4,000 × 2 = 64,000
Gross pay = 704,000 + 64,000 + 132,000 + 200,000 = 1,100,000
Taxable benefits = 132,000 + 200,000 = 332,000
Taxable income = 704,000 + 64,000 + 332,000 = 1,100,000
PAYE = (1,100,000 - 500,000) × 18.5% = 600,000 × 0.185 = 111,000
NSSF = 10% × 1,100,000 = 110,000
Development levy = 1% × 704,000 = 7,040
Housing allowance (non-taxable portion) = 25% × 704,000 = 176,000 (85% non-taxed)
Net pay = Gross - PAYE - NSSF - levy = 1,100,000 - 111,000 - 110,000 - 7,040 = 871,960

Abdallah
Basic pay = 176 × 10,000 = 1,760,000
Overtime = 14 × 10,000 × 1.5 = 210,000
Gross pay = 1,760,000 + 210,000 + 132,000 + 200,000 = 2,302,000
Taxable income = 2,302,000
PAYE =
First 500,000 = Nil
Next 1,300,000 × 18.5% = 240,500
Excess 502,000 × 20% = 100,400
Total PAYE = 240,000 + 100,400 = 340,400
NSSF = 10% × 2,302,000 = 230,200
Levy = 1% × 1,760,000 = 17,600
Net pay = 2,302,000 - 340,400 - 230,200 - 17,600 = 1,713,800

Chinga
Basic pay = 176 × 5,600 = 985,600
Overtime = 32 × 5,600 × 1.5 = 268,800
Holiday = 16 × 5,600 × 2 = 179,200
Gross pay = 985,600 + 268,800 + 179,200 + 132,000 + 200,000 = 1,765,600
Taxable income = 1,765,600
PAYE =

First 500,000 = Nil
Next 1,300,000 × 18.5% = 240,500
Excess = 1,765,600 - 1,800,000 = None (under 1,800,000)
PAYE = 234,628
NSSF = 10% × 1,765,600 = 176,560
Levy = 1% × 985,600 = 9,856
Advance = 400,000
Net pay = 1,765,600 - 234,628 - 176,560 - 9,856 - 400,000 = 944,556

Salary Slips for the Employees – Month Ending 30th November 2023

Particulars	Josephine (TZS)	Abdallah (TZS)	Chinga (TZS)
Basic Pay	704,000	1,760,000	985,600
Overtime	-	210,000	268,800
Holiday/Sunday Pay	64,000	-	179,200
Transport Allowance	132,000	132,000	132,000
Hardship Allowance	200,000	200,000	200,000
Gross Pay	1,100,000	2,302,000	1,765,600

Deductions

PAYE	111,000	340,400	234,628
NSSF (10%)	110,000	230,200	176,560
Development Levy (1%)	7,040	17,600	9,856
Advance	-	-	400,000
Total Deductions	228,040	588,200	821,044
Net Pay	871,960	1,713,800	944,556