THE UNITED REPUBLIC OF TANZANIA

NATIONAL EXAMINATIONS COUNCIL

CERTIFICATE OF SECONDARY EDUCATION EXAMINATION

062 **BOOK KEEPING**

(For Both School and Private Candidates)

Time: 3 Hours **ANSWERS** **Year: 2005**

Instructions

1. This paper consists of NINE questions.
2. Answer all questions

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1. For each of the items (i) – (x) choose the correct answer from among the given alternatives and write its letter beside the item number.

(i) The transfer of values from one person to another is
A transfer
B distribution
C transportation
D recording
E transaction
Correct answer: E

(ii) The account of properties the company owns is known as _________ account.
A personal
B nominal
C impersonal
D real
E asset
Correct answer: D

(iii) Given that:
Opening stock = shs 40,000
Sales = shs 60,000
Closing stock = shs 20,000
Cost of goods sold = shs 20,000
The amount of purchase is equal to
A shs 10,000
B shs 60,000
C shs 40,000
D shs 20,000
E shs 60,000
Correct answer: A
Reason: Cost of goods sold = Opening stock + Purchases - Closing stock
20,000 = 40,000 + Purchases - 20,000
Purchases = 20,000 - (40,000 - 20,000) = 10,000

(iv) A person selling goods on behalf of the principal is called
A partner
B consignor
C consignee
D wholesaler
E agent
Correct answer: C

(v) The cost of goods sold is ascertained as
A closing stock + purchases - opening stock
B opening stock + purchases - closing stock
C closing stock + purchases - returns outward
D net purchase + opening stock
E opening stock + net purchase - closing stock
Correct answer: E

(vi) The entries for purchase of a calculating machine for cash 1,750 will be
A debit machinery account, credit cash book
B debit purchases account, credit machinery account
C debit purchases account, credit cash book
D debit purchases account, credit machinery account
E credit cash account, credit machinery account
Correct answer: A

(vii) A balance of an account can be defined as
A balance carried down
B difference between two sides of an account
C total on both debit side and credit side
D balance brought down
E balancing figure of an account
Correct answer: B

(viii) A minit of vote can be defined as
A an annual accounting period
B the Government bank account operated by the paymaster general and kept by the Bank of Tanzania
C the maximum amount of money which the accounting officer can spend on his vote
D the direct charge on the income of a tax payer
E the mixed sum used to meet short loan by accounting officer
Correct answer: C

(ix) The entries of purchase of goods on credit from K. Kipenya for shs 4,500, will be as follows:
A debit purchases account, credit K. Kipenya account
B credit purchases account, debit cash book
C debit purchases account, credit cash book
D credit purchases account, debit K. Kipenya account
E credit cash account, debit purchases account
Correct answer: A

(x) The cash payment of shs 3,000 entries to W. Nyangoki will appear as follows:
A debit cash account, credit W. Nyangoki account
B debit W. Nyangoki account, credit cash account

C debit W. Nyangoki account, credit asset account
D debit W. Nyangoki account, credit stock account
E credit cash account, debit W. Nyangoki account
Correct answer: B

2. Match the phrases in List A with the responses in List B by writing the letter of the correct response beside the item number.

(i) A principal book of account = T (Cash book)
(ii) A book of original entry = J (Journal)
(iii) Purchase of buildings on credit = O (Capital expenditure)
(iv) Is made when capital increases = A (A credit entry)
(v) Are assets = N (Current assets)
(vi) Petrol costs for motor van = F (Depreciation expense)
(vii) The excess of sales over cost of goods sold = L (Gross profit)
(viii) Current assets less current liabilities = Q (Working capital)
(ix) Is a book of primary entry = J (Journal)
(x) Are debts which have proved to be uncollectibles = K (Bad debts)

3. The DSM Rotary Club has provided you with the following information:

As at 31st December

	2000 (shs)	2001 (shs)
Subscriptions in arrears	6,400	8,800
Subscriptions in advance	1,200	4,400
Subscriptions during the year	20,200	
Insurance expense owing (in arrears)	3,700	2,700
Insurance expense prepaid (in advance)	4,400	5,200
Insurance paid during the year	16,800	

Required:
Prepare a subscription account and an insurance account clearly showing amounts to be transferred to Income and Expenditure accounts (2001).

Subscription Account for the year ended 31st December 2001

Dr Cr

2001 Jan 1
Balance b/d (Arrears 2000).......... 6,400
Income & Expenditure a/c........... 25,000
(Transfer to I&E - balancing figure)
Dec 31

Balance c/d (Arrears 2001).... 8,800
Balance c/d (Advance 2002)... 4,400
Bank (Received)..................... 20,200
Total.. 31,400

Total.. 31,400

Income and Expenditure Account (Subscription Portion) = 25,000

Insurance Account for the year ended 31st December 2001

Dr Cr

2001 Jan 1
Prepaid Insurance (2000)........... 4,400
Bank (Paid).................................... 16,800

Dec 31
Outstanding (2001)................ 2,700
Prepaid (2001)......................... 5,200
Income & Expenditure a/c...... 13,300
(Transfer to I&E)

Total.. 21,200 Total................................ 21,200

Income and Expenditure Account (Insurance Expense) = 13,300

4. (a) What is auditing? State three (3) objectives of auditing.

Auditing is the independent examination of financial records and statements of an organization by a qualified auditor to express an opinion on whether the accounts give a true and fair view of the financial position.

Objectives of auditing:
1. To ensure the financial statements are accurate and comply with legal and accounting standards.
2. To detect and prevent errors and frauds.
3. To ensure that internal control systems are effective and efficient.

(b) What is depreciation? State three (3) methods used to calculate depreciation.

Depreciation is the decrease in value of fixed assets due to usage, wear and tear, or obsolescence over time.

Methods used to calculate depreciation:
1. Straight Line Method

2. Reducing Balance Method
3. Revaluation Method

5. Anna and Bashir are in partnership sharing profits and losses equally. The following is their trial balance as at 30th June 2001:

	DR (shs)	CR (shs)
Capital:		
Anna		280,000
Bashir		236,000
Current accounts:		
Anna		10,448
Bashir		2,384
Drawings:		
Anna	51,200	
Bashir	45,200	
Loan from NBC		320,000
Provision for bad debts		3,200
Bad debts	4,024	
Salaries and wages	151,336	
General expenses	19,328	
Interest on loan : NBC	32,000	
Discounts allowed	9,200	
Carriage outwards	10,304	
Purchases	683,328	
Sales		989,200
Stocks at 30th June 2000	335,832	
Bank	5,416	
Creditors		89,200
Debtors	129,944	
Provision for depreciation: fixtures		26,400
Fixtures at cost	88,000	
Buildings (cost shs. 600,000)	400,000	
Total	1,956,832	1,956,832

Required:
Prepare a trading, profit and loss account for the year ended 30th June 2001 and a balance sheet as at that date, after taking into account the following issues:

(i) Stock at 30th June 2001 is shs 450,720
(ii) Expenses to be accrued : General expenses shs 768, Wages shs 1,600
(iii) Depreciate fixtures, 10 % on reducing balance basis, buildings shs 8,000

(iv) Increase provision for bad debts by shs 2,560
(v) Partnership salary : Anna shs 6,400; Bashir, Nil
(vi) Interest on drawings: Anna shs 1,440, Bashir shs 960
(vii) Interest on capital account balances at 10 % per annum

Solution:

Trading and Profit and Loss Account for the year ended 30th June 2001

Sales... 989,200
Less: Cost of sales
Opening stock... 335,832
Add: Purchases... 683,328
Less: Closing stock................................... (450,720)
Cost of goods sold.................................... 568,440
Gross Profit.. 420,760

Less Expenses:
Salaries and wages (151,336 + 1,600)............ 152,936
General expenses (19,328 + 768).................. 20,096
Discount allowed.. 9,200
Carriage outwards... 10,304
Interest on loan.. 32,000
Depreciation on fixtures:
Cost = 88,000, Depreciation = 10% × (88,000 - 26,400) = 6,160
Depreciation on building................................. 8,000
Increase in provision for bad debts.................. 2,560
Total expenses.. 241,256

Net Profit... 179,504

Appropriation Account
Net Profit... 179,504
Less:
Interest on capital:
Anna 10% of 280,000 = 28,000
Bashir 10% of 236,000 = 23,600
Salary to Anna... 6,400
Interest on drawings:
Anna = 1,440
Bashir = 960
Total Appropriation = 28,000 + 23,600 + 6,400 + 1,440 + 960 = 60,400

Remaining profit to be shared = 179,504 - 60,400 = 119,104
Share equally: 59,552 each to Anna and Bashir

Partners' Current Accounts

	Anna	Bashir
Opening balance	10,448	2,384
Add: Interest on capital	28,000	23,600
Add: Salary	6,400	–
Add: Share of profit	59,552	59,552
Less: Drawings	(51,200)	(45,200)
Less: Interest on drawings	(1,440)	(960)
Closing balance	51,760	39,376

Balance Sheet as at 30th June 2001

Assets
Fixed Assets:
Fixtures (88,000 - 6,160)........................... 81,840
Buildings (400,000 - 8,000)...................... 392,000
Current Assets:
Stock.. 450,720
Debtors (129,944 - 2,560)......................... 127,384
Bank.. 5,416
Total Current Assets................................ 583,520

Total Assets... 1,057,360

Capital and Liabilities
Capital:
Anna.. 280,000
Bashir.. 236,000
Current a/cs:
Anna.. 51,760
Bashir.. 39,376
Loan from NBC.. 320,000
Creditors... 89,200
Provision for depreciation: fixtures.......... 32,560 (26,400 + 6,160)

Total Liabilities and Capital.................. 1,057,360

6. You have extracted a trial balance and drawn up accounts for the year ended 31st December 2001. There was a shortage of shs 17,520 on the credit side of the trial balance, a suspense account being opened for that amount.

During the year 2002 the following errors made in 2001 were uncovered:

(i) A sale of goods to Bakari shs 41,400 was correctly entered in the sales book but entered in the personal account as shs 57,600
(ii) A private purchase of shs 6,900, using business funds, had been included in the business purchases
(iii) Shs 3,300 received from sales of old office furniture had been entered in the sales account
(iv) Purchases day book had been overcast by shs 3,600
(v) Bank charges shs 2,280 entered in the cash book have not been posted to the bank charges account

Required:
(a) Show the requisite journal entries to correct the errors. Ignore narrations.
(b) Write up the suspense account showing the correction of errors.
(c) If the net profit was originally calculated as shs 682,000, show your calculation of the correct figure.

(a) Journal entries

(i) Correct debtor's personal account:
Dr Sales Ledger Control (Bakari) 16,200
Cr Suspense Account 16,200
(Being correction of over-debit to Bakari's account)

(ii) Drawings instead of purchases:
Dr Drawings 6,900
Cr Purchases 6,900

(iii) Furniture sale wrongly credited to sales:
Dr Sales 3,300
Cr Furniture Disposal/Other Income 3,300

(iv) Overcast purchase book:
Dr Suspense 3,600
Cr Purchases 3,600

(v) Bank charges not posted:
Dr Bank Charges 2,280
Cr Suspense 2,280

(b) Suspense Account

	Dr	Cr
(i) Purchases overcast	–	3,600
(i) Bakari error	16,200	–
(v) Bank charges not posted	2,280	–
Balance b/d	–	17,520
Total	18,480	21,120

Balance c/d = Nil after corrections

(c) Revised Net Profit

Original Net Profit.............................. 682,000

Adjustments:
Add: Purchases overcast.......................... 3,600
Add: Furniture sale wrongly treated............ 3,300
Add: Bank charges not posted.................... (2,280) (expense)
Add: Private purchase included.................. 6,900
Less: Overstated debtor treated as income.... (16,200)

Net effect = +3,600 +3,300 -2,280 +6,900 -16,200 = -4,680

Corrected Net Profit = 682,000 - 4,680 = 677,320

7. The following Trial Balance was extracted from the books of KIBAMBA Enterprise on June 30th, 2002.

TRIAL BALANCE AS ON 30.6.2002

DR (shs)
Drawings... 800
Machinery..................................... 2,600
Debtors... 1,500
Cash and bank............................ 4,200
Carriage on purchases.................. 600
Carriage on sales............................ 400
Discounts... 700
Returns... 500
Insurance... 1,800
Medical expenses.......................... 1,300
Taxes... 2,100

Rent.. 2,100
Stock 30.5.2001:
Dept H... 600
Dept J.. 900
Furniture... 1,400
Purchases:
Dept H... 7,800
Dept J.. 9,200

CR (shs)
Capital... 5,000
Creditors... 3,100
Discount received........................... 500
Returns.. 900
Sales:
Dept H.. 11,200
Dept J... 14,600
Mortgage loan.................................. 2,700

Totals:... 38,000 (DR) 38,000 (CR)

Notes:
(a) Stocks 30.6.2002: Dept H = 1,100, Dept J = 900
(b) During the year goods costing shs 1,200 were transferred from Dept J to Dept H
(c) Medical expenses are outstanding by shs 200
(d) Expenses and incomes should be apportioned to departments on the following bases:
  (i) Rent – according to floor space
  (ii) Medical expenses – number of employees
  (iii) The rest – equally

Dept H
Area: 9 m^2
Employees: 2

Dept J
Area: 12 m^2
Employees: 3

Required:
Prepare departmental trading, profit and loss accounts for the year ended 30th June 2002 and a balance sheet as at that date.

Step 1: Departmental Trading Account for the year ended 30th June 2002

Dept H
Sales... 11,200
Less: Returns................................ (500)
Net Sales.................................... 10,700
Opening Stock................................ 600
Add: Purchases............................. 7,800
Add: Transfers from J................... 1,200
Goods Available........................... 9,600
Less: Closing Stock...................... (1,100)
Cost of Goods Sold...................... 8,500
Gross Profit................................. 2,200

Dept J
Sales... 14,600
Less: Returns.................................. (400)
Net Sales...................................... 14,200
Opening Stock................................ 900
Add: Purchases............................. 9,200
Less: Transfer to H......................... (1,200)
Goods Available........................... 8,900
Less: Closing Stock....................... (900)
Cost of Goods Sold....................... 8,000
Gross Profit................................. 6,200

Step 2: Allocation of Expenses

Carriage on purchases = 600, equally
Dept H = 300, Dept J = 300

Carriage on sales = 400, equally
Dept H = 200, Dept J = 200

Discount allowed = 700, equally
Dept H = 350, Dept J = 350

Insurance = 1,800, equally
Dept H = 900, Dept J = 900

Taxes = 2,100, equally

Dept H = 1,050, Dept J = 1,050

Rent = 2,100
Total area = 9 + 12 = 21
Dept H = (9 / 21) × 2,100 = 900
Dept J = (12 / 21) × 2,100 = 1,200

Medical Expenses = 1,300 + 200 (outstanding) = 1,500
Employees = 2 + 3 = 5
Dept H = (2 / 5) × 1,500 = 600
Dept J = (3 / 5) × 1,500 = 900

Discount received = 500, equally
Dept H = 250, Dept J = 250

Step 3: Departmental Profit and Loss Account

Dept H
Gross Profit................................ 2,200
Add: Discount received................. 250
Less:
Carriage on purchases................. 300
Carriage on sales......................... 200
Discount allowed......................... 350
Insurance.................................... 900
Taxes.. 1,050
Rent... 900
Medical expenses......................... 600
Total Expenses............................ 4,300
Net Loss Dept H.......................... (1,850)

Dept J
Gross Profit................................ 6,200
Add: Discount received................. 250
Less:
Carriage on purchases................. 300
Carriage on sales......................... 200
Discount allowed......................... 350
Insurance.................................... 900
Taxes.. 1,050
Rent... 1,200
Medical expenses......................... 900
Total Expenses............................ 4,900

Net Profit Dept J........................... 1,550

Step 4: Balance Sheet as at 30th June 2002

Assets
Furniture... 1,400
Machinery....................................... 2,600
Stock: Dept H................................ 1,100
Stock: Dept J.................................. 900
Debtors... 1,500
Cash and Bank................................ 4,200
Outstanding medical expenses........ 200
Total Assets.................................. 11,900

Liabilities
Creditors.. 3,100
Mortgage Loan................................ 2,700
Capital.. 5,000
Add: Profit (Dept J 1,550 - Dept H 1,850) = net loss 300
Adjusted Capital................................ 4,700
Drawings... 800
Total Liabilities................................ 11,900