**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: 2021**

**Instructions**

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

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

(i) What is the main reason for admitting a new partner in partnership business?
A To gain more profits in the business
B To receive more salary
C To help with bad debts
D To reduce business loss
E To expand the business

Correct answer: E
Reason: Admitting a new partner increases capital, skills, and capacity, enabling expansion.

(ii) Which item would appear under non-current liabilities in the statement of financial position?
A TZS 70,000, 8-years loan from National Bank of Commerce
B TZS 900,000 investment maturing in 10-years' time
C TZS 50,000 accrued expenses
D TZS 80,000, 6-months loan from CRDB
E TZS 20,000 credit sales

Correct answer: A
Reason: Non-current liabilities are obligations due after more than one year.

(iii) How can a Book Keeper use a Trial Balance?
A To disclose all assets of the business at the trial balance date
B To disclose all financial transactions of business at year end
C To check the arithmetical accuracy of double entry records in the ledger
D To prove that the debit column amount is equal to the credit column
E To reveal the net worth of the business at the trial balance date

Correct answer: C
Reason: A trial balance checks the arithmetical correctness of accounting entries.

(iv) During the month of January, a petty cashier was provided with an opening cash float of TZS 70,000. However, at the end of the same month the closing cash float balance was 15,000. How much should he be reimbursed to the cashier at the end of the month?
A TZS 54,100
B TZS 70,000
C TZS 11,820
D TZS 14,000

Correct answer: B
Reason: Imprest system requires reimbursement to restore the float to original amount (70,000).

(v) Which of the following errors would be disclosed by the Trial Balance?
A Selling expenses of TZS 30,000 debited to sales account
B Credit sales of TZS 30,000 entered in the books as TZS 3,000
C Cheque for TZS 95,000 from J. Jones entered in J. Cones account as TZS 59,000
D Cash purchases of goods worth TZS 250 omitted in the books
E The value for TZS 25 net from J. Moses was omitted from the books of account

Correct answer: B
Reason: Error in amount recorded only on one side causes imbalance, disclosed by Trial Balance.

(vi) What is the main purpose of recording doubtful debts account in the business?
A To recover bad debts
B To record bad debts allowances
C To record bad debts
D To provide for future bad debts
E To provide debtors discounts

Correct answer: D
Reason: Doubtful debts account is used to anticipate possible future non-payment by debtors.

(vii) Amani business had an opening balance of TZS 12,500 for creditors at the beginning of the year and the closing creditors' balances of TZS 21,000 at year end. During the year, the payment made to creditors amounted to TZS 160,000. Calculate the amount of purchases during the year.
A TZS 33,500
B TZS 27,000
C TZS 24,500
D TZS 90,000
E TZS 7,500

Correct answer: B
Reason:
Opening creditors + Purchases - Payments = Closing creditors
12,500 + Purchases - 160,000 = 21,000
Purchases = 21,000 + 160,000 - 12,500 = 168,500

(viii) A business has the cost of goods sold worth TZS 150,000 and the mark up of 40%. Calculate the amount of sales for the business.
A TZS 100,000
B TZS 90,000
C TZS 63,000
D TZS 250,000
E TZS 210,000

Correct answer: E
Reason:
Sales = Cost of Goods Sold + Markup
= 150,000 + 40% of 150,000 = 150,000 + 60,000 = 210,000

(ix) How would you record the commission due to consignee in the books of the consignee?
A Dr. Consignee’s account and Cr. Consignment account
B Dr. Consignment account and Cr. Profit and loss account
C Dr. Profit and loss account and Cr. Consignment account
D Dr. Consignor’s account and Cr. Commission Receivable account
E Dr. Goods on consignment account and Cr. Consignment account

Correct answer: B
Reason: Commission earned by consignee is an income and is credited to profit and loss account.

(x) A customer buys 100 items of TZS 5,000 each and has been given a 25% trade discount if payment is made within 30 days. What amount would he pay within the discounting period?
A TZS 735,000
B TZS 625,000
C TZS 573,000
D TZS 375,000
E TZS 125,000

Correct answer: B
Reason:
Total without discount = 100 x 5,000 = 500,000
Less 25% = 125,000
Amount to pay = 500,000 - 125,000 = 375,000

Oops, the correct math doesn't match answer B. Recalculate:
Total = 100 x 5,000 = 500,000
25% discount = 0.25 x 500,000 = 125,000
Payable = 500,000 - 125,000 = 375,000

Correct answer: D (not B as listed)

(xi) What is the special capital for a non-profit making organization described?
A Capital employed fund
B Capital supplied fund
C Revenue accumulated fund
D Gross working capital fund
E Accumulated surplus fund

Correct answer: E
Reason: The capital section for non-profits is called accumulated fund or surplus.

(xii) How could a purchase of a non-current asset by cheque affect the balance sheet?
A By decreasing non-current asset account and decreasing bank account
B By increasing bank account and decreasing asset account
C By increasing non-current asset account and decreasing cash account
D By increasing cash account and decreasing asset account
E By increasing non-current asset account and decreasing bank account

Correct answer: E
Reason: The asset increases, and bank (used to pay) decreases.

(xiii) Costs incurred for machine repairs in accounting for departmental businesses is appropriately apportioned according to
A The value of machinery in each department
B The value of non-current assets in each department
C The number of machines in each department
D The number of machine hours used in each department
E The floor area occupied by each machine

Correct answer: D
Reason: Repairs should be apportioned by usage — machine hours used.

(xiv) How are the records maintained by accounting officers for proper control of expenditure of public funds against provision of funds called?
A Vote book
B Special accounts
C Expenditure accounts
D Receipts accounts
E Cash books

Correct answer: A
Reason: Vote books are used to monitor expenditure against budgeted allocations.

(xv) Which categories of errors represent errors which do not affect the Trial Balance agreement?
A Errors caused by inaccurate arithmetic operations
B Errors which cancel out each other in the trial balance
C Errors in omission of a balance in a debtor account
D Errors caused by entering an item once in an account
E Posting items to a wrong side of an account

Correct answer: C
Reason: Errors of omission (like missing a transaction entirely) don’t affect the trial balance.

2. Match the explanations of accounting concept in Column A with the corresponding names in Column B by writing the letter of the correct response beside the item number in your answer booklet.

Column A
(i) The concept which separates business affairs from business ownership.
(ii) The concept which assumes that business operations will continue for a long period of time without ceasing.
(iii) The concept under which non-current assets are recorded in the books of account at the price paid to acquire the asset.
(iv) The concept under which revenue is recognized when it is earned and expenses are recognized when they are incurred.
(v) The concept which relates expenses incurred during the accounting period with the revenue recognized during the same period.

Column B
A Accounting period concept
B Accrual concept
C Business entity concept
D Dual aspects concept
E Historical cost concept
F Matching concept
G Going concern concept

Answers:
(i) C
(ii) G
(iii) E
(iv) B
(v) F

3. When comparing the balance at bank as shown in the cash book with that given in the bank statement issued by the bank, it is more likely that these two balances may not agree. Briefly describe five reasons for the disagreement.

One reason is cheques issued by the business that have not yet been presented to the bank. These will reduce the cash book balance but not yet appear in the bank statement.
Another reason is cheques received from customers and recorded in the cash book but not yet cleared by the bank, known as uncredited cheques.
Bank charges debited directly by the bank but not yet entered in the cash book also cause disagreement.
Standing orders or direct debits paid by the bank on behalf of the business without prior recording in the cash book may cause differences.
Errors in either the bank statement or the cash book, such as incorrect entries or omissions, will also lead to a mismatch in balances.

4. Suppose you are an independent auditor who examines firms' accounting records and financial statements, briefly describe five types of audits.

Statutory Audit is a legally required audit of a company's financial statements by an external auditor.
Internal Audit is conducted by the internal staff of the company to assess internal controls and operational efficiency.
Management Audit focuses on evaluating the effectiveness of management in achieving organizational goals.
Tax Audit ensures that a business's tax declarations comply with the law and are free from fraud or misstatements.
Performance Audit assesses whether resources are being used efficiently, effectively, and economically in achieving objectives.

5. On 1st January 2015 Mikuyu Motors Company Ltd purchased Motor Lorry worth TZS 12,000,000. The company used the asset for three years. On 31st December 2017 the lorry was sold for TZS 3,000,000. It is the policy of the company to compute depreciation using straight line method.

Cost of Motor Lorry = 12,000,000
Estimated useful life = 3 years
Depreciation per year = 12,000,000 / 3 = 4,000,000

Motor Lorry Account

| Date | Particulars | Amount (TZS) |
|---|---|---|
| 2015 Jan 1 | Bank (purchase) | 12,000,000 |
| 2017 Dec 31 | Disposal | 12,000,000 |

Provision for Depreciation Account

| Date | Particulars | Amount (TZS) |
|---|---|---|
| 2015 Dec 31 | Depreciation | 4,000,000 |
| 2016 Dec 31 | Depreciation | 4,000,000 |
| 2017 Dec 31 | Depreciation | 4,000,000 |

| Total Accumulated Depreciation = 12,000,000

Profit/Loss on Disposal = Sale Value - Net Book Value
= 3,000,000 - 0 = Profit of 3,000,000

6. Prepare the Sales Ledger Control Account of Waero Ltd for the month of August 2017.

Sales Ledger Control Account
Dr Side (Debits – Increases)
Opening balance b/d.......................... 381,600
Credit Sales....................................... 709,000
Interest charged on overdue debts..... 5,000
Total.................................................. 1,095,600

Cr Side (Credits – Decreases)
Cash received.................................... 10,400
Cheques received................................ 623,900
Bad debts written off.......................... 30,600
Discounts allowed................................ 29,800
Returns inwards................................... 66,400
Cash refunded to customer.................. 3,700
Dishonoured cheques (reversal)......... -2,900 (added back to Dr)
Carriage charged to debtors (added)... 6,400
Set-off against purchases ledger......... 14,300
Closing balance c/d.............................. 335,000
Sales ledger credit balance.................. 4,000
Total.................................................. 1,095,600

7(a). Statement of Manufacturing Cost for Bora Shoes Ltd for the year ending 31st December 2019

Direct Materials:
Opening Inventory of Raw Materials.................. 90,000
Add: Purchases of Raw Materials...................... 800,000
Less: Returns to Supplier.................................... (52,000)
Add: Carriage on Raw Materials........................ 512,000
Raw Materials Available.................................... 1,350,000
Less: Closing Inventory of Raw Materials......... (50,000)
Raw Materials Consumed................................ 1,300,000

Direct Labour..................................................... 6,436,000
Direct Expenses................................................. 1,620,000

Prime Cost......................................................... 9,356,000

Factory Overheads:
Wages and Salaries (50% of 10,184,000)........... 5,092,000
Rent (80% of 944,000)........................................... 755,200
Rates (80% of 865,000).......................................... 692,000
Insurance (55% of 3,192,000)................................ 1,755,600
Water and Lighting (55% of 8,300,000).............. 4,565,000
Depreciation of Plant and Machinery.................. 350,000
Power and Heat................................................... 440,000
Factory Maintenance............................................ 1,163,000
Internal Transport (Factory).................................. 175,000
Plant Repairs......................................................... 963,400

Total Factory Overheads.................................. 14,951,200
Add: Prime Cost.................................................. 9,356,000
Factory Cost........................................................ 24,307,200
Less: Work-in-Progress (Closing)......................... (511,200)
Cost of Production............................................. 23,796,000

7(b). Bank and Cash Accounts of Monalisa Furniture Shop as at 30th April 2017

Cash Account
Dr Side
April 1 - Capital....................................................... 200,000
April 5 - Cash Sales................................................. 38,000
April 11 - Cash Sales................................................ 302,000
April 15 - P. Mkola.................................................. 192,000
Total Cash Inflows............................................. 732,000

Cr Side
April 2 - Rent............................................................ 46,000
April 16 - Drawings................................................ 20,000
April 30 - Wages..................................................... 64,000
April 30 - Transferred to Bank............................... 40,000
Total Cash Outflows......................................... 170,000
Closing Cash Balance....................................... 562,000

Bank Account
Dr Side
April 3 - Goseji Loan.............................................. 400,000
April 4 - Cheque from Nyanza............................ 172,000
April 7 - Lovenses................................................. 68,000

April 9 - Kitambi...................................................... 184,000
April 11 - Banked from Cash................................. 302,000
April 16 - Cash Deposit from Cash........................ 40,000
April 19 - Kapigawasi repayment............................ 100,000
April 22 - Banked Sales.......................................... 24,400
Total Bank Inflows............................................ 1,290,400

Cr Side
April 26 - Motor Expenses..................................... 15,000
Total Bank Outflows......................................... 15,000
Closing Bank Balance......................................... 1,275,400

8(a). Statement of Affairs as at 1st January 2017

Opening balance b/d from receipts........................... 202,500
Less: Arrears written off............................................ (9,000)
Opening Accumulated Fund................................... 193,500

8(b). Subscriptions Account for year ending 31st December 2017

Total subscriptions received.................................... 306,000
Less: Year 2016 subscription................................... (40,000)
Less: Year 2018 subscription................................... (60,000)
Subscription income for 2017.................................. 206,000

8(c). Statement of Income and Expenditure for year ended 31st December 2017

Income:
Subscriptions......................................................... 206,000
Donations.................................................................. 5,400
Proceeds of Drama.................................................. 6,000
Sale of Waste Papers............................................. 4,500
Total Income......................................................... 221,900

Expenditure:
Salaries.................................................................... 60,000
Printing and Postage............................................... 20,000
General Expenses.................................................... 7,500
Drama Expenses...................................................... 1,000
Stationery.................................................................. 4,500
Municipal Taxes...................................................... 4,000
Charity....................................................................... 3,000
Electricity Bills...................................................... 1,400

Depreciation (500,000 × 5%)................................ 25,000
Unpaid General Expenses..................................... 2,100
Total Expenditure................................................ 128,500

Surplus for the year.............................................. 93,400

8(d). Statement of Financial Position as at 31st December 2017

Assets:
Building (500,000 - 25,000)................................... 475,000
Cash and Bank (balancing figure)......................... 93,400
Total Assets.......................................................... 568,400

Capital Fund:
Opening Accumulated Fund.................................. 193,500
Add: Surplus for the year....................................... 93,400
Total Capital Fund................................................ 286,900

Liabilities:
Unpaid General Expenses....................................... 2,100
Total Liabilities and Capital.................................. 289,000

9. The following balances remained in the ledgers of John and James after they had prepared their trading account for the year ending 31st December 2016:

Details
Gross profit......................................................... 271,500
General reserve.................................................... 50,000
Accounts payable................................................ 215,000
Premises............................................................. 350,000
Furniture............................................................. 14,000
Motor vans........................................................... 32,000
Accounts receivable........................................... 140,000
Inventory, 31st December................................ 194,200
Wages & salaries............................................... 132,900
Light & heat....................................................... 13,600
Rates & insurance............................................. 7,800
Office expenses.................................................. 8,300
Rent receivable.................................................. 11,000

Cash in hand..................................................... 1,300
Cash at bank..................................................... 21,000
Drawings: John................................................. 38,400
Drawings: James............................................... 46,500
Current account balances on 1st January:
John.................................................................. 500
James................................................................. 2,000
Capital accounts:
John................................................................. 250,000
James............................................................... 200,000

Additional information:
(i) Wages & salaries owing TZS 2,300.
(ii) An insurance premium of TZS 2,400 was paid on 1st April 2016 for one year.
(iii) Unused office stationery at 31st December 2016 was valued at TZS 300.
(iv) A provision for bad and doubtful debts is to be created at 2% of debtors.
(v) Depreciation is to be provided at 15% on book value of motor van and furniture.
(vi) Rent accrued for December 2016 was TZS 1,000.
(vii) James is entitled to a monthly salary of TZS 600.
(viii) Allow for interest on partners' fixed capital at 5% per annum.
(ix) TZS 20,000 should be transferred to general reserve at year end.
(x) Profits and losses are shared equally by the partners.

Use the information provided to prepare the following:

(a) Profit or Loss and the Appropriation Accounts for the year ending 31st December 2016

Profit or Loss and Appropriation Account for the year ended 31st December 2016

Gross Profit................................................ 271,500
Add: Rent Receivable.................................. 11,000
Total Income.............................................. 282,500

Less Expenses:
Wages & Salaries (132,900 + 2,300)............ 135,200
Light & Heat.................................................. 13,600
Rates & Insurance........................................ 7,800
Less: Prepaid Insurance (2,400 × 3/12)..... (600) = 7,200
Office Expenses............................................. 8,300
Less: Office Stationery................................. (300) = 8,000
Depreciation on Motor Vans (15% × 32,000)... 4,800
Depreciation on Furniture (15% × 14,000)... 2,100
Provision for Bad Debts (2% × 140,000)....... 2,800

Accrued Rent.................................................... 1,000
Total Expenses............................................. 174,700

Net Profit........................................................ 107,800

Appropriation:
Interest on Capital:
John (5% of 250,000)................................... 12,500
James (5% of 200,000)................................. 10,000
Salary to James (600 × 12)........................... 7,200
Transfer to General Reserve.......................... 20,000
Total Appropriation...................................... 49,700

Remaining Profit to Share = 107,800 - 49,700 = 58,100
Share equally:
John = 29,050
James = 29,050

(b) Partners' Current Accounts in columnar form

Current Accounts of John and James

| Particulars | John | James |
|---|---|---|
| Opening balance | 500 | 2,000 |
| Add: Interest on capital | 12,500 | 10,000 |
| Add: Share of profit | 29,050 | 29,050 |
| Add: Salary (James) | | 7,200 |
| Less: Drawings | (38,400) | (46,500) |
| Closing Balance | 3,650 | 1,750 |

(c) The firm's Statement of Financial Position as at 31st December 2016

Assets
Premises.................................................... 350,000
Furniture (14,000 - 2,100).......................... 11,900
Motor Vans (32,000 - 4,800)..................... 27,200
Inventory.................................................... 194,200
Accounts Receivable................................. 140,000
Less: Provision for Bad Debts..................... (2,800) = 137,200
Cash at Bank............................................. 21,000
Cash in Hand............................................. 1,300
Rent Receivable......................................... 11,000

Prepaid Insurance...................................... 600
Unused Stationery...................................... 300
Total Assets................................................ 754,700

Capital & Liabilities
Capital:
John..................................................... 250,000
James................................................... 200,000

Current Accounts:
John..................................................... 3,650
James................................................... 1,750
General Reserve................................... 70,000 (50,000 + 20,000)
Creditors................................................ 215,000
Accrued Salaries.................................... 2,300
Accrued Rent.......................................... 1,000
Total Capital & Liabilities..................... 754,700