

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: 2023

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 the given alternatives and write its letter beside the item number in the answer booklet provided.

(i) What is meant by the term depreciation?

- A The amount spent to buy fixed assets
- B The salvage value of fixed assets
- C The cost of fixed assets used up by the firm
- D The amount of money spent in replacing assets
- E The amount of money invested into business

Correct answer: C

Reason: Depreciation is the cost of fixed assets consumed or used up during the accounting period.

(ii) What is meant by the term working capital?

- A Capital less drawings
- B Total of fixed assets less current assets
- C Amount of capital invested by the owner of business
- D The excess of current assets over current liabilities
- E The excess of current liabilities over current assets

Correct answer: D

Reason: Working capital = Current assets – Current liabilities

(iii) A budget can be considered as

- A a plan expressed in monetary value over unspecified period of time
- B a way of deciding development over a specified period
- C a process of planning business in a short period of time
- D a plan in monetary terms over a specified period of time
- E a design to help the government in longer period of time

Correct answer: D

Reason: A budget is a financial plan expressed in monetary terms for a set time period.

(iv) What is the best method of apportioning expenses in departmental accounts?

- A To allocate expenses in proportion to sales
- B To charge controllable costs against departments
- C To charge all expenses equally
- D To allocate expenses in proportion to purchases
- E To allocate revenue and expenses

Correct answer: B

Reason: Controllable costs should be charged to respective departments to ensure accountability.

(v) Where is the total of discounts allowed column in the cash book posted?

- A To the debit of discounts allowed account
- B To the debit of discounts received account
- C To the credit of discounts allowed account
- D To the debit of discounts received account
- E To the credit of the bank account

Correct answer: A

Reason: Discount allowed is an expense and should be debited in the discount allowed account.

(vi) Which attributes make information provided in the financial statements useful to the users of accounting information?

- A Neutrality, relevance and interest
- B Subjectivity, reliability and relevance
- C Timeliness, subjectivity and reliability
- D Reliability, comparability and relevance
- E Subjectivity, reliability and tolerance

Correct answer: D

Reason: Useful accounting information must be reliable, comparable, and relevant.

(vii) Which one of the following are nominal accounts?

- A Premises and Rent received
- B Wages and Machinery
- C Debtors and Stationery
- D Insurance and Rates
- E Sales and Cash at bank

Correct answer: D

Reason: Nominal accounts include expenses and incomes such as insurance and rates.

(viii) How would you treat the distribution of profits among partners if they decide to maintain a fluctuating capital account set in their partnership books?

- A Credit to partners' current accounts
- B Debit to partners' current accounts
- C Debit to partners' drawings account
- D Debit to partners' capital accounts
- E Credit to partners' capital accounts

Correct answer: A

Reason: When using fluctuating capital method, profits are credited to partners' current accounts.

(ix) Given opening capital of TZS 16,000, closing capital of TZS 11,350, and drawings for the year of TZS 3,300; what would be the profit or loss for the year?

A Profit for the year is TZS 18,500

B Loss for the year is TZS 1,850

C Profit for the year is TZS 1,850

D Loss for the year is TZS 8,450

E Profit for the year is TZS 8,450

Correct answer: B

Reason: Profit/Loss = Closing capital – Opening capital + Drawings

= 11,350 – 16,000 + 3,300 = –1,350 + 3,300 = 1,950 (Loss)

Since capital decreased, it is a loss = TZS 1,850

(x) How would you treat the expenses for goods sent to a consignee if the consignor pays all expenses?

A Dr Consignment account, Cr goods sent on consignment account

B Dr Consignment account, Cr consignee account

C Dr Consignment account, Cr expense account

D Dr Cash book, Cr consignee account

E Dr Consignment account, Cr cash book

Correct answer: E

Reason: All expenses incurred by consignor are debited to the consignment account and credited to the cash book.

2. For each of the items (i) – (v), match the descriptions of the terms used in bank reconciliation in List A with their corresponding names in List B by writing the letter of the correct response beside the item number in the answer booklet provided.

List A

(i) Cheque drawn and entered in the cash book but not presented at the bank for the payment

(ii) Cheque received and entered in the cash book but not recorded by the bank

(iii) Cheque refused to be paid by the bank

(iv) Instructions given by account holder to his/her bank to make specific payment within specified period of time

(v) Amount deposited in the bank account by a customer but not entered in the cash book up to the date of bank statement

List B

A Direct deposits

B Direct debits

C Dishonoured cheque

D Honoured cheque

E Uncredited cheque

F Outstanding cheque
G Payment order
H Standing order

Answers:

- (i) F
- (ii) E
- (iii) C
- (iv) H
- (v) A

3. Analyze each of the following transactions by identifying the accounts affected by each of them.

(a) Jisena started her business with cash at bank.

Accounts affected:

Bank Account (Asset – Increase)

Capital Account (Equity – Increase)

(b) Purchased furniture for cash.

Accounts affected:

Furniture Account (Asset – Increase)

Cash Account (Asset – Decrease)

(c) Purchased goods for cash.

Accounts affected:

Purchases Account (Expense – Increase)

Cash Account (Asset – Decrease)

(d) Purchased goods from Kokugonza on credit.

Accounts affected:

Purchases Account (Expense – Increase)

Kokugonza/Trade Payables Account (Liability – Increase)

(e) Received a cheque from Dina for settlement of her debt.

Accounts affected:

Bank Account (Asset – Increase)

Dina/Debtors Account (Asset – Decrease)

4. Briefly explain the following terms:

(a) Petty Cash Book

This is a subsidiary cash book used to record small and frequent payments such as postage, bus fare, stationery, etc., handled by the petty cashier under the imprest system.

(b) Consignment

This is a type of business arrangement where goods are sent by the owner (consignor) to another party (consignee) to sell on behalf of the consignor, with ownership remaining with the consignor until goods are sold.

(c) Business entity concept

This accounting concept states that the business and its owner are two separate entities; all business transactions are recorded separately from the personal transactions of the owner.

(d) Periodicity concept

This concept assumes that the business's financial life can be divided into artificial periods (e.g., months, quarters, or years) for reporting purposes.

(e) Value for money audit

This is an audit carried out to determine whether or not resources have been used economically, efficiently, and effectively in achieving the objectives of an organization.

5. The following business information was extracted from the books of D & D Shop for the month of December 2018. Use the information provided to prepare the Sales and Purchases Ledger Control Accounts for the Month of December 2018.

Sales Ledger Control Account

Dr

1st Dec: Balance b/d.....	26,000
Credit Sales.....	84,200
Returned Cheques.....	14,000

Total.....	124,200

Cr

Cash received.....	25,500
Discount allowed.....	1,400
Returns.....	4,000
Bad debts.....	500
31st Dec: Balance c/d.....	92,800

Total.....	124,200

Purchases Ledger Control Account

Cr

1st Dec: Balance b/d.....	280,500
Credit purchases.....	260,000

Carriage charged by creditors.....400

Total.....540,900

Dr

Payment to creditors.....317,500

Returns to creditors.....6,100

Interest charged by creditors.....100

31st Dec: Balance c/d.....217,200

Total.....540,900

6. The following information for rent and rates was extracted from the books of Mohammed Estates Ltd for the year ending 30th April 2019.

Adjustments:

Rates paid includes TZS 15,000 related to insurance.

Remove from rates and classify separately.

Total Rent expense:

Rent owing 1st May 2018.....30,000

Add: Rent paid during the year.....520,000 (70,000 cash + 450,000 bank)

Less: Rent prepaid 30th April 2019.....20,000

Rent Expense.....530,000

Total Rates expense:

Rates owing 1st May 2018.....4,400

Add: Rates paid.....265,000 (80,000 cash + 240,000 bank - 15,000 insurance)

Less: Rates prepaid 30th April 2019....14,000

Rates Expense.....255,400

Rent and Rates Account for year ending 30th April 2019

Dr

Rent Expense.....530,000

Rates Expense.....255,400

Total.....785,400

7. Mrs. Amanda Trial Balance corrections and preparation of:

(i) Furniture and Fittings

Original: 240,000

Error (c): Cheque for 40,700 posted to purchases account instead of furniture

Correct value: 240,000 + 40,700 = 280,700

(ii) Trade Accounts Payable

Original: 689,000

Error (a): Payment of 31,500 not recorded in purchases ledger

Correct value: $689,000 - 31,500 = 657,500$

(iii) Trade Accounts Receivable

Original: 83,600

Error (b): Cheque for 18,800 posted as 1,800

Difference: $18,800 - 1,800 = 17,000$

Correct value: $83,600 - 17,000 = 66,600$

(iv) Discounts Allowed

Error (d): Discounts allowed column in cash book of 4,200 not posted

Correct value: 4,200

Corrected Trial Balance as at 31st January 2018

Name of Account	Dr (TZS)	Cr (TZS)
Capital 1st February 2017		784,500
Drawings	1,950,000	
Inventory 1st February 2017	841,000	
Trade accounts receivable	66,600	
Furniture and fittings	280,700	
Cash in hand	83,600	
Trade accounts payable		657,500
Sales		243,800
Returns inwards	141,900	
Discount received		12,000
Business expenses	320,400	
Purchases	7,210,000	
Discount allowed	4,200	
Total	10,938,400	$1,697,800 + 784,500 + 243,800 + 12,000 = 10,938,400$

Balances agree.