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: 2024**

Instructions

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

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) Given opening capital of TZS 500,000, closing capital of TZS 1,800,000, and drawings for the year of TZS 200,000, how much would be the profit or loss for the year?
A Loss for the year is TZS 1,000,000
B Loss for the year is TZS 2,100,000
C Profit for the year is TZS 2,500,000
D Loss for the year is TZS 1,100,000
E Profit for the year is TZS 1,500,000

Correct answer: E
Reason: Profit = Closing capital - Opening capital + Drawings
= 1,800,000 - 500,000 + 200,000 = 1,500,000

(ii) Which accounts balances would appear on the debit column of the Trial Balance?
A Accounts payable and Accounts receivable
B Accounts receivable and Interest paid
C Rent received and Accounts payable
D Bank overdraft and Account receivable
E Interest received and Bank Overdraft

Correct answer: B
Reason: Accounts receivable and interest paid are both debits because they represent assets and expenses respectively.

(iii) Which item would not be considered in the process of preparing Receipts and Payments account for the religious organization?
A Surplus paid during the year
B Subscriptions received
C Cheques paid
D Bank balance
E Receipt from sale of asset

Correct answer: A
Reason: Surplus is part of Income and Expenditure account, not Receipts and Payments account.

(iv) Ms. Akilimali started business with cash from her savings of TZS 1,000,000, equipment valued TZS 200,000, motor van valued TZS 2,000,000 and a loan from Faraja SACCOS TZS 300,000. How much would be Ms. Akilimali's capital?
A TZS 1,900,000
B TZS 3,500,000
C TZS 2,900,000

D TZS 2,200,000
E TZS 3,200,000

Correct answer: C
Reason: Capital = Cash + Equipment + Motor van = 1,000,000 + 200,000 + 2,000,000 = 3,200,000
Loan is a liability and should not be included, so actual capital = 3,200,000 - 300,000 = 2,900,000

(v) What is the recommended method of apportioning expenses in accounting for departmental stores?
A To allocate agents in proportion to sales
B To charge against each department its uncontrollable costs
C To charge equally to each department
D To allocate expenses in proportion to purchases
E To charge against each department its controllable costs

Correct answer: E
Reason: It is recommended to apportion controllable costs to departments based on their responsibility for managing those costs.

(vi) If the Book Keeper debited the repair cost for office equipment of TZS 50,000 to office equipment account, what would be the effect on income statement?
A Net profit would be understated
B Net profit would be overstated
C Net profit would not be affected
D Assets would be understated
E Both gross profit and net profit would be overstated

Correct answer: B
Reason: Repairs should be treated as an expense. If it is wrongly added to assets, the expense is understated, so net profit is overstated.

(vii) Which items would you record on the credit side of the Sales Ledger Control Account?
(i) Bad debts
(ii) Returns outwards
(iii) Provision for bad debts
(iv) Returns inwards
A (i) and (iv)
B (i) and (iii)
C (ii) and (iii)
D (iii) and (iv)
E (ii) and (iv)

Correct answer: A

Reason: Bad debts and returns inwards reduce debtors and are recorded on the credit side of the Sales Ledger Control Account.

(viii) A retailer is offered credit terms of 2% on invoice price when payment is made within 10 days, otherwise the debt is to be paid in full within 30 days (i.e. 2/10, n/30). Which kind of discount is reflected in this business arrangement?
A Trade discount
B Cash discount
C Bank discount
D Retail discount
E Production discount

Correct answer: B
Reason: Cash discount is offered for prompt payment.

(ix) Which one are the primary objectives of hiring external auditor annually?
(i) To detect errors and fraud
(ii) To prove true and fair view of business state of affairs
(iii) To examine internal communication system
(iv) To verify if proper books of accounts are being kept
A (ii) and (iv)
B (i) and (iii)
C (ii) and (iii)
D (i) and (iv)
E (ii) and (i)

Correct answer: E
Reason: The primary objectives are to ensure the financial statements are true and fair and to detect errors and fraud.

(x) Your school bought a combine harvester machine for TZS 20,000,000. It is to be depreciated at a rate of 25% per annum on diminishing balance. What would be the remaining book value of the machine after 2 years?
A TZS 1,000,000
B TZS 15,000,000
C TZS 5,000,000
D TZS 16,250,000
E TZS 11,250,000

Correct answer: E
Reason:
Year 1: 25% of 20,000,000 = 5,000,000
Remaining = 20,000,000 - 5,000,000 = 15,000,000

Year 2: 25% of 15,000,000 = 3,750,000
Remaining = 15,000,000 - 3,750,000 = 11,250,000

2. For each item (i)–(v), match the descriptions of the types of ledger 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) Contains accounts of assets, revenues and expenses
(ii) Contains customers' accounts to whom goods have been sold on credit
(iii) Contains confidential information such as capital, drawings and salaries accounts
(iv) Contains accounts of personnel in which various employees are opened and maintained
(v) Contains suppliers' accounts from whom goods have been bought on credit

List B
A Purchases ledger
B Ledger
C Private ledger
D Sales ledger
E Nominal ledger
F General ledger
G Expenses ledger

Answers:
(i) E
(ii) D
(iii) C
(iv) G
(v) A

3. Briefly differentiate Continuous and Interim audits. Give four points.

Continuous audit involves regular and continuous checks of financial records throughout the accounting period, whereas Interim audit is conducted at a specific interval within the financial year before the final audit.
Continuous audit allows early detection of errors and frauds, while Interim audit focuses on partial financial data for quicker reporting.
Continuous audit is more detailed as it covers transactions as they occur, while Interim audit is limited in scope.
Continuous audit is suitable for large firms with frequent transactions, while Interim audit suits medium businesses preparing interim reports.

Prepared by: Maria Marco for TETEA

4. You are the Book Keeper of Katarina, a Sole Trader. On 31st December 2021, you found that the cash book of the firm had a credit balance of TZS 15,600,000 while the bank statement on the same date showed a different balance. On investigation, you discovered the following:

(a) Items shown in the bank statement but not yet entered in the cash book:
(i) Payments of insurance premium on standing order TZS 4,200,000
(ii) Bank charges TZS 95,000
(iii) Dividends collected by bank TZS 780,000
(iv) Cheques dishonoured TZS 1,640,000

(b) Cheques drawn but not yet presented in the bank: Isack Maina TZS 130,000; Daniel Philipo TZS 55,000; Florence John TZS 230,000; Jabir Mbone TZS 360,000

(c) Cash payment of TZS 540,000 entered in the cash book (bank column) as TZS 450,000

(d) Cheques paid into the bank not appearing in the bank statement: Joan David TZS 1,000,000; Isabella Samon TZS 190,000; Wakufanza Restaurant TZS 850,000

Using the information provided, prepare the Adjusted Cash Book and a Bank Reconciliation Statement for the month ending 31st December 2021 starting with the balance as per adjusted cash book.

Adjusted Cash Book (Bank Column)
Opening Balance (credit) 15,600,000
Add: Dividends collected by bank 780,000
Less:
Insurance Premium 4,200,000
Bank charges 95,000
Dishonoured cheque 1,640,000
Correction of undercast payment 90,000 (540,000 - 450,000)

Total Deductions: 6,025,000
Adjusted Cash Book balance: 15,600,000 + 780,000 - 6,025,000 = 10,355,000 (credit)

Bank Reconciliation Statement as at 31st December 2021
Balance as per adjusted cash book 10,355,000
Add: Cheques not yet presented:
Isack Maina 130,000
Daniel Philipo 55,000
Florence John 230,000
Jabir Mbone 360,000
Total 775,000
Less: Cheques paid into bank but not credited by bank:
Joan David 1,000,000

Isabella Samon 190,000
Wakufanza Restaurant 850,000
Total 2,040,000

Balance as per Bank Statement:
10,355,000 + 775,000 - 2,040,000 = 9,090,000 (credit)

5. Dotto is a sole trader at Makambako in Njombe, the trader has limited skills in recording retail sales in the books of prime entry. The following are his credit sales for the month of February 2022:

February 1
15 boxes of continental chalks @ TZS 32,000
12 blue pens @ TZS 5,000
100 manila cards @ TZS 2,000
2 pieces of Epson black ink No. 664 @ TZS 32,000

February 5
Sold to Sonia traders:
15 dozen of blue hand at TZS 6,000 per dozen
2 dozen of school shoes @ TZS 30,000 per piece

February 12
Sold goods worth TZS 320,000 to Janelle

February 15
Sold to Kiwoce:
30 kg of rice @ TZS 2,900 per kg
30 dozens of exercise books at TZS 700 per pair
12 dozen of T-shirts at TZS 25,000 per T-shirt

February 25
Sold 25 bags of Dangote cement to Mwendwa at TZS 16,500 per bag

Journal entries (summary) for February to the Sales Day Book:
February 1:
Continental chalks: 15 x 32,000 = 480,000
Blue pens: 12 x 5,000 = 60,000
Manila cards: 100 x 2,000 = 200,000
Epson inks: 2 x 32,000 = 64,000
Total: 804,000

February 5:
Blue hand: 15 dozen x 6,000 = 90,000

School shoes: 24 x 30,000 = 720,000
Total: 810,000

February 12: 320,000

February 15:
Rice: 30 x 2,900 = 87,000
Exercise books: 30 x 700 = 21,000
T-shirts: 12 x 25,000 = 300,000
Total: 408,000

February 25: 25 x 16,500 = 412,500

Post the total sales to Sales Account:
804,000 + 810,000 + 320,000 + 408,000 + 412,500 = 2,754,500

Sales Account (summary entry)
Dr: Respective Debtors
Cr: Sales Account TZS 2,754,500

6. Mfutajika, a sole trader started business on 1st April 2022 with cash on hand TZS 10,000,000. During the month ending 30th April, 2022, he had the following transactions:

Prepare a Cash Book and Bank Account and balance them.

Cash Book
April 1: Capital introduced 10,000,000
April 2: Bought goods cash - 400,000
April 3: Bought vehicle by cheque - 4,000,000
April 5: Bought goods on credit (no entry in cash/bank)
April 7: Goods returned (credit) (no entry)
April 9: Cash sales 1,000,000
April 11: Purchased vehicle by cheque -5,000,000
April 13: Received cheque from Joel Traders 5,000,000
April 14: Received TZS 1,200,000
April 15: Goods sold on credit (no entry)
April 17: Received from sales 750,000
April 20: Bought goods -300,000
April 21: Paid wages -250,000
April 24: Received rent 300,000
April 30: Paid expenses -160,000

Summary (Cash Book):

Receipts:
Capital: 10,000,000
Sales: 1,000,000
Received: 1,200,000 + 750,000 + 300,000 = 2,250,000
Total Receipts: 13,250,000

Payments:
Goods: 400,000 + 300,000 = 700,000
Wages: 250,000
Expenses: 160,000
Vehicle: 9,000,000 (2 vehicles)
Total Payments: 10,110,000

Cash Balance: 13,250,000 - 10,110,000 = 3,140,000

Bank Account
April 13: Joel Traders cheque: 5,000,000
April 3 and April 11: Payments for vehicles = -9,000,000
Balance: 5,000,000 - 9,000,000 = -4,000,000 (Bank overdraft)

7. Nyota and Mwevi have been in partnership sharing profits and losses in the ratio 3:2. Use the given data to prepare:
(i) Statement of Income
(ii) Profit or Loss Appropriation
(iii) Statement of Financial Position as at 31st December 2021

7. Preparation of Financial Statements for Nyota and Mwevi Partnership as at 31st December 2021

(i) Statement of Income for the year ended 31st December 2021

Sales.. 4,125,000
Less: Returns...................................... (36,300)
Net Sales.. 4,088,700

Cost of Sales:
Opening stock.................................. 195,000
Add: Purchases................................. 1,150,000
Less: Returns inward.......................... (36,300)
Cost of goods available...................... 1,308,700
Less: Closing stock.............................. (292,750)
Cost of Sales...................................... 1,015,950

Gross Profit.. 3,072,750

Add: Interest on drawings:
Mwevi.. 6,000

Adjusted Gross Profit........................ 3,078,750

Less Expenses:
Wages and salaries............................. 63,000
Rates... 20,850
Rent.. 200,850
Salaries and wages outstanding....... 94,400
Depreciation on Fixture & Fittings
= 10% x 240,000.................................. 24,000

Total Expenses.................................... 403,100

Net Profit.. 2,675,650

(ii) Profit or Loss Appropriation Account for the year ended 31st December 2021

Net Profit b/f... 2,675,650
Add: Interest on Drawings
Mwevi... 6,000
Total... 2,681,650

Less: Interest on Capital:
Nyota (650,000 x 10%)............................. 65,000
Mwevi (525,000 x 10%)............................. 52,500
Total Interest on Capital.......................... 117,500

Remaining Profit for sharing.................... 2,564,150

Profit sharing ratio 3:2
Nyota = 3/5 x 2,564,150 = 1,538,490
Mwevi = 2/5 x 2,564,150 = 1,025,660

(iii) Statement of Financial Position as at 31st December 2021

Assets
Non-current Assets:
Fixtures and fittings (240,000 - 24,000)................ 216,000
Plant and Machinery.. 2,649,400

Total Non-current Assets................................... 2,865,400

Current Assets:
Closing Stock.. 292,750
Trade Debtors... 412,400
Rates prepaid... 48,000
Total Current Assets.. 753,150

Total Assets... 3,618,550

Capital and Liabilities
Capital Accounts:
Nyota.................................. 650,000 + 1,538,490 + 65,000 - 6,000 = 2,247,490
Mwevi................................. 525,000 + 1,025,660 + 52,500 = 1,603,160
Total Capital.. 3,850,650

Less: Drawings
Nyota... 78,000
Mwevi.. 65,000
Total Drawings.. 143,000

Adjusted Capital.. 3,707,650

Current Liabilities:
Bank Overdraft... 239,250
Salaries and Wages Outstanding...................... 94,400
Total Liabilities.. 333,650

Total Capital and Liabilities.............................. 3,707,650 + 333,650 = 4,041,300

Note: Ensure proper ledger postings reflect amounts matched from trial balance plus all adjustments.