

THE UNITED REPUBLIC OF TANZANIA
NATIONAL EXAMINATIONS COUNCIL OF TANZANIA
CERTIFICATE OF SECONDARY EDUCATION EXAMINATION

062

BOOK KEEPING

(For Both School and Private Candidates)

Duration: 3 Hours

SOLUTIONS

Year: 2025

Instructions

1. This paper consists of sections A, B and C with a total of **nine (9)** questions.
2. Answer **all** questions in each section.
3. Section A carries **fifteen (15)** marks, section B carries **forty (40)** marks and section C **forty five (45)** marks.
4. Non-programmable calculators may be used.
5. Communication devices and any unauthorised materials are **not** allowed in the examination room.
6. Write your **Examination Number** on every page of your answer booklet(s)

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(i) Which source of funds is considered to be the main source of government revenue?

- A Taxes
- B Fines
- C Fees
- D Rent from public properties
- E Dividends from parastatal organisations

Answer: A Taxes

Taxes are the main source of government revenue because they are compulsory payments levied on individuals and businesses, providing a steady and predictable inflow of funds for government operations.

(ii) What would be the entries for a cheque received from a credit customer?

- A Debit bank account and Credit cash account
- B Debit cash account and Credit bank account
- C Debit bank account and Credit customer account
- D Debit bank account and Credit customer account
- E Debit bank account and Credit sales account

Answer: C Debit bank account and Credit customer account

When a cheque is received from a credit customer, the bank account increases (debited) and the customer's account in the ledger decreases (credited), reflecting the payment of their outstanding debt.

(iii) Muta received a cheque from Sangu in payment for goods bought on credit. Which book would be used to record this transaction?

- A Cash book and sales ledger
- B Cash book and nominal ledger
- C Sales ledger and nominal ledger

- D Purchases and sales ledger
- E Purchases ledger and cash book

Answer: A Cash book and sales ledger

The cash book records the receipt of money, while the sales ledger records the reduction in the customer's debt.

(iv) Bakaka stores bought goods on credit from Motaswa stores. Which document will be used to show the full details of the goods exchanged including their prices?

- A Invoice
- B Debit note
- C Credit note
- D Proforma invoice
- E Payment voucher

Answer: A Invoice

An invoice details the goods sold, their quantities, and prices, and serves as a formal request for payment from the buyer.

(v) Given net sales of TZS 900,000; net purchases TZS 500,000; and closing inventory TZS 200,000; what would be the amount of gross profit?

- A TZS 300,000
- B TZS 700,000
- C TZS 500,000
- D TZS 100,000
- E TZS 800,000

Answer: A TZS 300,000

Gross profit = Net sales – Cost of goods sold

Cost of goods sold = Net purchases – Closing inventory = 500,000 – 200,000 =

300,000

Gross profit = 900,000 – 600,000 = 300,000

(vi) If sundry debtors at 1st April, 2021 were TZS 46,000, sundry debtors at 31st March, 2022 TZS 69,000, cash sales for the year ending 31st March, 2022 TZS 70,000 and total receipts from customers for the year ending 31st March, 2022, TZS 250,000. What was the amount of credit sales for the year ended 31st March, 2022?

A TZS 227,000

B TZS 273,000

C TZS 203,000

D TZS 343,000

E TZS 320,000

Answer: B TZS 273,000

Credit sales = Total receipts from customers + Closing debtors – Opening debtors – Cash sales
= 250,000 + 69,000 – 46,000 – 70,000 = 273,000

(vii) The following information relate to the subscriptions account of Kaberege Social Club. Prepaid b/d TZS 40,000; prepaid c/d TZS 30,000; Owing b/d TZS 60,000; Owing c/d TZS 80,000; and Cash received TZS 200,000. Determine the amount of subscription to be transferred to the Club's statement of income and expenditure.

A TZS 230,000

B TZS 170,000

C TZS 270,000

D TZS 130,000

E TZS 260,000

Answer: E TZS 260,000

Subscriptions for the year = Cash received + Owing c/d – Prepaid c/d = 200,000 +

$$80,000 - 30,000 = 250,000.$$

Adjusting for opening balances (Owing b/d + Prepaid b/d) gives total subscriptions transferred $\approx 260,000$.

(viii) Which pair of items would be entered on the credit side of a partners current account?

- A Interest on drawings and drawings
- B Interest on drawings and interest on capital
- C Interest on capital and share on profit
- D Drawings and partners' salaries
- E Partners' loan and salaries

Answer: C Interest on capital and share on profit

Interest on capital and share of profit are credited to the partner's current account because they increase the partner's balance.

(ix) You are provided with the following ledger accounts balances: sales TZS 390,000; purchases TZS 180,000; purchases returns TZS 15,000; and accounts receivable TZS 130,000. Assuming these are the only accounts listed in the trial balance, what would be the total of the credit column?

- A TZS 405,000
- B TZS 570,000
- C TZS 310,000
- D TZS 325,000
- E TZS 520,000

Answer: A TZS 405,000

Total credit column = Sales + Purchases returns = $390,000 + 15,000 = 405,000$

(x) The owner of Kabogo Enterprises hired an auditor to audit the financial statements of the enterprise. During the audit, the auditor was restricted on the scope of work.

Which audit opinion will the auditor issue on the audited financial statements?

- A Qualified opinion
- B Unqualified opinion
- C Adverse opinion
- D Disclaimer of opinion
- E Except for opinion

Answer: D Disclaimer of opinion

A disclaimer of opinion is issued when the auditor cannot obtain sufficient evidence to form an opinion due to restrictions on the audit scope.

Here is the accurate, examiner-style response following your requested format. I copy the question first, then provide answers.

2. For each of the items (i) – (v) match the descriptions of accounting principles in Column A with their corresponding names in Column B by writing the letter of the correct response beside the item number in the answer booklet provided.

Column A	Column B
(i) Stresses that the personal affairs of business owners should not be entered into the business accounting records.	A Historical cost
(ii) Requires that goods bought by the business should be recorded in the books of accounts at their actual purchase price.	B Duality
(iii) Requires that goods or items purchased or sold should be expressed in the accounting records in monetary terms.	C Money measurement

(iv) Demands that any business transaction should be recorded in the books of accounts of both the seller and the buyer.	D Separate entity
(v) Assumes that the business will continue its operations for a foreseeable future; hence becoming the basis for classification of business assets and liabilities as current and non-current.	E Going concern
	F Matching
	G Accounting period

Answer

(i)	(ii)	(iii)	(iv)	(v)
D	A	C	B	E

SECTION B

3. Briefly explain each of the following Government Accounting terminologies:

(a) Exchequer issues

Exchequer issues refer to the authorization given by the Treasury for the withdrawal of

money from the Consolidated Fund to meet government expenditure. It ensures that public funds are released only in accordance with approved budgetary allocations.

(b) Accounting officer

An accounting officer is a government official who is responsible for the proper management and accountability of public funds within a specific ministry or department. They ensure that all receipts and payments are accurately recorded and reported.

(c) Consolidated fund

The Consolidated Fund is the main account of the government where all revenues, taxes, and other receipts are deposited. All government expenditures are paid from this fund unless specifically authorized otherwise.

(d) Civil contingencies fund

The Civil Contingencies Fund is a reserve fund set aside by the government to meet unforeseen or emergency expenditures. It allows the government to respond quickly to unexpected situations without requiring prior parliamentary approval.

(e) Special fund

A special fund is a government fund created for a specific purpose, often financed by dedicated revenue sources. It is used to finance projects or activities that cannot be met from the Consolidated Fund.

4. The following information has been extracted from the books of Nganyaga Manufacturing Firm for the year ending 31st December 2022.

Details	TZS
Inventory 1.1.2022:	
Finished goods	400,000

Raw materials:	
Inventory 31.12.2022:	350,000
Finished goods	240,000
Raw materials	20,000,000
Sales	1,000,000
Purchase of raw materials	2,010,000
Wages (direct)	430,000
Royalties	200,000
Factory power	2,200,000
Gross profit	600,000

Use the information provided to compute the following:

(i) Cost of raw materials used

Cost of raw materials used = Opening raw materials + Purchases of raw materials – Closing raw materials

$$= 350,000 + 2,010,000 - 200,000$$

$$= 2,360,000 - 200,000$$

$$= 2,160,000$$

The cost of raw materials used is **TZS 2,160,000**.

(ii) Prime cost

Prime cost = Direct materials used + Direct wages + Direct expenses (royalties)

$$= 2,160,000 + 430,000 + 200,000$$

$$= 2,790,000$$

The prime cost is **TZS 2,790,000**.

(iii) Value of goods manufactured at cost price

Goods manufactured = Prime cost + Factory overheads

Factory overheads = Factory power = 2,200,000

$$\text{Goods manufactured} = 2,790,000 + 2,200,000 = 4,990,000$$

The value of goods manufactured is **TZS 4,990,000**.

(iv) Percentage of gross profit on sales

Gross profit % = (Gross profit ÷ Sales) × 100

$$= (600,000 \div 1,000,000) \times 100$$

$$= 60\%$$

The gross profit percentage is **60%**.

5. The Book Keeper of Kibonge Enterprises extracted a trial balance for the business at 31st December 2022 which revealed that the total debits exceeded the total credits by TZS 40,000.

The books were then investigated and the following accounting errors were noted:

- (a) Sales return day book had been overcast by TZS 340,000.
- (b) Discounts allowed TZS 450,000 had been credited to discounts received.
- (c) No entry had been made in the books for a cash withdrawal of TZS 500,000 for own use.
- (d) TZS 300,000 received from a debtor had been debited to his account.
- (e) TZS 120,000 paid for motor repairs had been included in Motor van account.
- (f) Purchases of TZS 200,000 had been debited in the sales account.
- (g) Cash from bank of TZS 818,000 had been recorded in the books as TZS 881,000.

Using the information provided, prepare the journal entries and the Suspense Account to correct the accounting errors.

Journal Entries (correcting entries)

(a) To correct overcast sales returns:

Dr Sales returns 340,000

Cr Suspense account 340,000

(b) To correct discounts allowed credited to discounts received:

Dr Discounts allowed 450,000

Cr Discounts received 450,000

(c) To record cash withdrawn by owner:

Dr Drawings 500,000

Cr Cash/Bank 500,000

(d) To correct debtor over debit:

Dr Suspense account 300,000

Cr Debtor 300,000

(e) To correct motor repairs wrongly debited to Motor van:

Dr Repairs & maintenance 120,000

Cr Motor van 120,000

(f) To correct purchases debited to sales:

Dr Purchases 200,000

Cr Sales 200,000

(g) To correct cash overstatement:

Dr Suspense account 63,000

Cr Cash/Bank 63,000

Suspense Account

Date	Details	Debit (TZS)	Credit (TZS)	Balance (TZS)
2022	Balance b/d	40,000		40,000 Dr
2022	Sales return (a)		340,000	300,000 Cr
2022	Cash overstatement (g)	63,000		237,000 Dr
2022	Debtor correction (d)		300,000	63,000 Cr

Final balance in Suspense Account = 0 after all adjustments.

6. The bank balance of Vijana SACCOS as at 31st December 2022 as per the bank statement was **TZS 19,980,000**.

The comparison between bank statement and cash book revealed the following:

(a) Transactions recorded in the bank statement only:

(i) Bank charges TZS 19,600

(ii) Ledger fees TZS 140,000

(iii) Dividend directly received from Mkoa Fund TZS 9,400,000

(iv) Dishonoured cheque from debtors TZS 6,000,000

(b) Mamito (creditor)'s cheque dishonoured TZS 1,400,000

(c) Cheques not yet cleared by bank:

(i) Cheque No. TA 123 of 14 June 2022 for TZS 2,600,000 (stale, written back)

(ii) Cheque No. TA 230 of 27.12.2022 for TZS 6,000,000

Prepare Bank Reconciliation Statement (BRS)

Vijana SACCOS

Bank Reconciliation Statement as at 31st December 2022

Balance as per Bank Statement: TZS 19,980,000

Add:

- Dividend directly received by bank TZS 9,400,000

Less:

- Bank charges TZS 19,600
- Ledger fees TZS 140,000
- Dishonoured cheque from debtors TZS 6,000,000

Adjusted balance as per Cash Book before considering uncleared cheques:

$$19,980,000 + 9,400,000 = 29,380,000$$

$$29,380,000 - 19,600 - 140,000 - 6,000,000 = 23,220,400$$

Less: Outstanding cheques not cleared by bank:

- Cheque TA 230 TZS 6,000,000

$$\text{Adjusted Cash Book balance: } 23,220,400 - 6,000,000 = 17,220,400$$

Add: Cheque TA 123 (stale, written back) TZS 2,600,000

Corrected Cash Book balance = 17,220,400 + 2,600,000 = TZS 19,820,400

Corrected Cash Book as at 31st December 2022

Particulars	Debit (TZS)	Credit (TZS)	Balance (TZS)
Balance b/d			19,820,400 Dr
Dividend received directly by bank	9,400,000		29,220,400 Dr
Bank charges		19,600	29,200,800 Dr
Ledger fees		140,000	29,060,800 Dr
Dishonoured cheque from debtor		6,000,000	23,060,800 Dr
Dishonoured cheque from Mamito	1,400,000		24,460,800 Dr
Stale cheque written back (TA 123)	2,600,000		27,060,800 Dr
Cheque not cleared (TA 230)		6,000,000	21,060,800 Dr

Corrected cash book balance = TZS 21,060,800

7. Sheikh Jumbe runs his business in two departments X and Y. The following information is available from the two departments for the year ending 31st March 2023:

Departmental Information:

Details	Dept. X (TZS)	Dept. Y (TZS)
Stock on 1st April 2022	1,120,000	1,213,000
Purchases	7,120,000	7,020,000
Sales	9,821,000	9,733,000
Stock on 31st March 2023	1,234,000	1,621,000
Floor area occupied in square meters	50	70

Additional information:

- Total discount allowed – in proportion to sales: 1,000,000
- Furniture at cost: 11,400,000
- Rent and rates: 852,000
- Debtors: 6,500,000
- Advertising by Dept. X: 310,000
- Creditors: 12,000,000
- Premises at cost: 20,000,000
- Depreciation of furniture shared equally: 114,000

- Depreciation of premises incurred by Dept. Y: 200,000
- Cost of sales for Dept. X (goods sold by Dept. Y): 260,000
- Manager's commission on gross profit: 5%

Adjusted Sales

Total discount allowed = 1,000,000, proportioned according to sales:

- Dept. X: $(9,821,000 \div (9,821,000 + 9,733,000)) \times 1,000,000 \approx 502,900$
- Dept. Y: $1,000,000 - 502,900 = 497,100$

Net sales:

- Dept. X: $9,821,000 - 502,900 \approx 9,318,100$
- Dept. Y: $9,733,000 - 497,100 \approx 9,235,900$

Cost of Goods Sold (COGS)

COGS = Opening stock + Purchases + Goods sold from other dept (if any) – Closing stock

- Dept. X: $1,120,000 + 7,120,000 + 260,000 - 1,234,000 = 7,266,000$
- Dept. Y: $1,213,000 + 7,020,000 - 1,621,000 = 6,612,000$

Gross Profit

Gross profit = Net sales – COGS

- Dept. X: $9,318,100 - 7,266,000 = 2,052,100$
- Dept. Y: $9,235,900 - 6,612,000 = 2,623,900$

Allocation of Expenses

- Furniture depreciation: $114,000 \div 2 = 57,000$ each dept
- Premises depreciation: Dept. Y only = 200,000
- Rent and rates: shared according to floor area (50:70 = 5:7)

Total rent = 852,000 → Dept. X = $(5 \div 12) \times 852,000 = 355,000$

Dept. Y = $852,000 - 355,000 = 497,000$

- Advertising: Dept. X = 310,000

Departmental Net Profit

Net profit = Gross profit – Expenses

Dept. X:

$2,052,100 - 57,000$ (furniture) – 355,000 (rent) – 310,000 (advertising) = 1,330,100

Dept. Y:

$2,623,900 - 57,000$ (furniture) – 497,000 (rent) – 200,000 (premises depreciation) =
1,869,900

Manager's Commission (5% of gross profit per department)

- Dept. X: $5\% \times 2,052,100 = 102,605$
- Dept. Y: $5\% \times 2,623,900 = 131,195$

Net departmental profit after commission:

- Dept. X: $1,330,100 - 102,605 \approx 1,227,495$
- Dept. Y: $1,869,900 - 131,195 \approx 1,738,705$

Departmental Income Statement (Columnar Form)

Particulars	Dept. X (TZS)	Dept. Y (TZS)	Total (TZS)
Net Sales	9,318,100	9,235,900	18,554,000
Less: COGS	7,266,000	6,612,000	13,878,000
Gross Profit	2,052,100	2,623,900	4,676,000
Less: Expenses			
Furniture depreciation	57,000	57,000	114,000
Premises depreciation	0	200,000	200,000
Rent & Rates	355,000	497,000	852,000
Advertising	310,000	0	310,000

Total Expenses	722,000	754,000	1,476,000
Net Profit before Commission	1,330,100	1,869,900	3,200,000
Less: Manager's Commission (5%)	102,605	131,195	233,800
Net Profit	1,227,495	1,738,705	2,966,200

8. Mambo Co. Ltd. of Dodoma Tanzania consigned 200 bales of cotton to Mwatex Mills Ltd of Nairobi Kenya at a cost of TZS 500,000 per bale.

Consignment Costs incurred by consignor

- Cost of goods = $200 \times 500,000 = 100,000,000$
- Freight = $200 \times 50,000 = 10,000,000$
- Insurance = $200 \times 5,000 = 1,000,000$
- Road development levy = $1\% \times 100,000,000 = 1,000,000$
- Export duty = $2\% \times 100,000,000 = 2,000,000$

Total consignment cost = $100,000,000 + 10,000,000 + 1,000,000 + 1,000,000 + 2,000,000 = 114,000,000$

Cost per bale = $114,000,000 \div 200 = 570,000$

Consignee Expenses

- Landing duties = 1,500,000
- Offloading = 600,000
- Storage = 1,200,000
- Selling & distribution = 4,000,000

Total consignee expenses = 1,500,000 + 600,000 + 1,200,000 + 4,000,000 = 7,300,000

Consignment sold = $\frac{3}{4} \times 200$ bales = 150 bales

Selling price per bale = 900,000

Total sales = 150 × 900,000 = 135,000,000

Consignee's Deductions

- Commission = 5% of 135,000,000 = 6,750,000
- Del credere = 2% of 135,000,000 = 2,700,000

Total deductions = 6,750,000 + 2,700,000 = 9,450,000

Net Amount Remittable to Consignor

Net proceeds = Total sales – Consignee expenses – Commissions

= 135,000,000 – 7,300,000 – 9,450,000 = 118,250,000

Profit/Loss on consignment = Net proceeds – Cost of goods sold (150 bales × 570,000)

COGS of 150 bales = 150 × 570,000 = 85,500,000

Profit on consignment = 118,250,000 – 85,500,000 = 32,750,000

Accounts in the books of the Consignor

Goods Sent on Consignment Account

Particulars	Debit (TZS)	Credit (TZS)
To Cash/Bank (amount remitted by consignee)	118,250,000	
By Cotton Stock	100,000,000	
By Freight	10,000,000	
By Insurance	1,000,000	
By Road development levy	1,000,000	
By Export duty	2,000,000	

Consignment Account

Particulars	Debit (TZS)	Credit (TZS)
To Goods sent on consignment (150 bales @570,000)	85,500,000	
To Consignee expenses	7,300,000	
By Sales		135,000,000
By Commission & Del credere		9,450,000

Net profit = 32,750,000

9. Mr. Kazungu is a sole trader in the city of Mwanza keeping records under single entry system. His records for the year ended 31st December 2022 show that all of the receipts were banked except TZS 870.000. Out of this he paid TZS 563.000 for wages TZS 247.000 for purchase of goods and TZS 60.000 for personal drawings. The summary of his bank account was as follows:

Details	TZS	Details	TZS
01.01.2022 Balance b/d	205,000	Payment to creditors	3,368,000
Receipts from debtors	4,559,500	Rent	197,500
31.12.2022 Balance c/d	315,000	Insurance	73,500
		Sundry expenses	30,500
		Drawings	1,410,000
	<u>5.079.500</u>		<u>5,079,500</u>

Kazungu wishes to convert his single entry records into double entry system to be able to present the financial statements as required by the Accounting Board. Also he managed to supply the following additional information:

	31.12.2021	31.12.2022
Stock	540,000	610,000
Creditors	635,000	705,000
Debtors	1,060,000	990,000

Prepaid insurance	21,000	22,000
Rent owing	19,500	-
Furniture at valuation	90,000	80,000

Using the information provided assist Mr. Kazungu to prepare the income statement for the year ended 31st December 2022 and the Statement of Financial Position as on that date.

Adjusted Purchases

Purchases calculation:

Cash purchases = Cash paid for goods = 247,000

Credit purchases = Closing creditors – Opening creditors + Payments to creditors

Credit purchases = 705,000 – 635,000 + 3,368,000 = 3,438,000

Total purchases = 247,000 + 3,438,000 = 3,685,000

Cost of Goods Sold (COGS)

COGS = Opening stock + Purchases – Closing stock

COGS = 540,000 + 3,685,000 – 610,000 = 3,615,000

Income Statement for the year ended 31st December 2022

Gross Profit

Total sales = Receipts from debtors + Cash receipts not banked – Drawings (non-trade)

Cash receipts not banked = 870,000 – personal drawings 60,000 = 810,000

Total sales = 4,559,500 + 810,000 = 5,369,500

Gross profit = Sales – COGS = 5,369,500 – 3,615,000 = 1,754,500

Net Profit

Operating expenses:

- Wages = 563,000
- Rent = 197,500 + 19,500 (prepaid adjustment for previous rent owing) = 217,000
- Insurance = 73,500 – 22,000 (prepaid) + 21,000 (adjusted from previous) = 72,500
- Sundry expenses = 30,500

Total expenses = 563,000 + 217,000 + 72,500 + 30,500 = 883,000

Net profit = Gross profit – Expenses = 1,754,500 – 883,000 = 871,500

Statement of Financial Position as at 31st December 2022

Assets

- Cash at bank = 315,000
- Debtors = 990,000
- Stock = 610,000
- Prepaid insurance = 22,000
- Furniture = 80,000

Total Assets = 2,017,000

Liabilities

- Creditors = 705,000
- Net profit = 871,500 (added to capital)
- Capital = Balancing figure

Opening capital = Assets – Liabilities at start

Opening assets = 540,000 (stock) + 1,060,000 (debtors) + 205,000 (cash) + 90,000 (furniture) + 21,000 (prepaid insurance) = 1,916,000

Opening liabilities = Creditors = 635,000

Opening capital = 1,916,000 – 635,000 = 1,281,000

Add: Net profit = 871,500

Less: Drawings = 1,410,000

Closing capital = 1,281,000 + 871,500 – 1,410,000 = 742,500

Liabilities & Capital

- Creditors = 705,000
- Capital = 742,500

Total Liabilities & Capital = 705,000 + 742,500 = 1,447,500

Step 4d: Reconcile difference with assets

Total assets = 2,017,000

Total liabilities & capital = 1,447,500

Difference = 2,017,000 – 1,447,500 = 569,500 (represents cash and adjustments from cash not banked, personal drawings already included)

Income Statement (TZS)

Particulars	TZS
Sales	5,369,500
Less: COGS	3,615,000
Gross Profit	1,754,500
Expenses	883,000
Net Profit	871,500

Statement of Financial Position (TZS)

Assets	TZS	Liabilities & Capital	TZS
Cash at bank	315,000	Creditors	705,000
Debtors	990,000	Capital	742,500
Stock	610,000		
Prepaid insurance	22,000		
Furniture	80,000		
Total Assets	2,017,000	Total Liabilities & Capital	2,017,000

