

Candidate's Examination Number.....

THE UNITED REPUBLIC OF TANZANIA
NATIONAL EXAMINATIONS COUNCIL
FORM TWO SECONDARY EDUCATION EXAMINATION

0062

BOOK KEEPING

Time: 2:30 Hours

ANSWERS

Friday, 20 November 2015 p.m

Instructions

1. This paper consists of Section **A, B** and **C**.
2. Answer **all** questions.
3. **All** answers should be written in spaces provided.
4. Cellular phones and unauthorized materials are not allowed in the assessment room
5. Write your **Examination Number** at the top right-hand corner of every page.

FOR ASSESSOR'S USE ONLY		
QUESTION NUMBER	SCORE	ASSESSOR'S INITIALS
1		
2		
3		
4		
5		
6		
7		
TOTAL		
CHECKER'S INITIALS		

SECTION A (20 Marks)

1. For each of the following items (i) - (x), choose the correct answer and write its letter in the box provided.

(i) Which of the following is the definition of a balance sheet?

- A. A list of balances after calculating net profit.
- B. A statement of all liabilities.
- C. A trial balance at a different date.
- D. A list of balances before calculating net profit.

Correct Answer: B

Reason: A balance sheet is a financial statement that shows a company's assets, liabilities, and equity at a specific point in time. It provides a snapshot of what the business owns (assets) and owes (liabilities), along with the owners' equity. Option B is correct because it emphasizes liabilities, though a balance sheet includes more than just liabilities (it also includes assets and equity). The other options are incorrect: A refers to post-profit calculations, which is not specific to a balance sheet; C confuses it with a trial balance; and D is inaccurate as it doesn't account for the full scope of a balance sheet.

(ii) The purchases day book can be described as

- A. a part of the double entry system
- B. a list of purchases bought on credit
- C. a list of suppliers' account
- D. a list of purchases bought for cash.

Correct Answer: B

Reason: The purchases day book is a book of original entry used to record all credit purchases of goods. It is not part of the double entry system itself (A), as it is a subsidiary book where transactions are first recorded before being posted to ledgers. It is not a list of suppliers' accounts (C), though it may involve suppliers, nor is it for cash purchases (D), which are typically recorded in the cash book. Option B accurately describes its purpose.

(iii) Which of the following describes the meaning of a trial balance?

- A. Is the final account in the books.
- B. Shows all the assets balances.
- C. Is a list of balances on the books.
- D. Discloses financial position of a business.

Correct Answer: C

Reason: A trial balance is a list of all ledger account balances (both debit and credit) at a specific point in time, used to verify that the total debits equal the total credits. It is not a final account (A), as final accounts include the income statement and balance sheet. It does not only show asset balances (B) but includes all accounts (assets, liabilities, equity, revenue, and expenses). It also does not directly disclose the financial position (D), which is the role of the balance sheet. Option C is the most accurate description.

(iv) Which of the following is not personal account?

- A. Rent and debtors.
- B. Debtors and drawings.
- C. Debtors and creditors.
- D. Drawings and rent.

Correct Answer: D

Reason: Personal accounts relate to individuals or entities with whom the business has transactions, such as debtors (customers who owe money) and creditors (suppliers owed money). Drawings (withdrawals by the owner) is a personal account, but rent is a nominal account, as it represents an expense. In options A, B, and C, all items (rent, debtors, drawings, creditors) include at least one personal account, but in option D, rent is not a personal account, making it the correct choice.

(v) What is meant by contra entry?

- A. Cash is banked before it has been paid out.
- B. Double entry is completed within the cash book.
- C. The proprietor has repaid capital in cash.
- D. Sales have been paid by cash.

Correct Answer: B

Reason: A contra entry occurs when both the debit and credit aspects of a transaction are recorded within the same book, typically the cash book. For example, transferring money from cash to bank (debit bank, credit cash) is a contra entry. Option A is incorrect, as it describes a sequence of cash handling, not a contra entry. Option C relates to a capital transaction, not a contra entry. Option D describes a sales transaction, which is not necessarily a contra entry. Option B correctly defines the concept.

(vi) A cash discount is described as a reduction in the sum to be paid

- A. if goods are bought on credit and not for cash
- B. if either cheque or cash payment is made within an agreed period
- C. if cash is paid instead of cheque
- D. if trade discount is also deducted.

Correct Answer: B

Reason: A cash discount is an incentive offered to encourage early payment within a specified period, regardless of whether the payment is made by cash or cheque. It applies to credit purchases. Option A is incomplete, as it doesn't specify the time condition. Option C is incorrect, as the discount is not tied to the payment method (cash vs. cheque). Option D is wrong, as cash and trade discounts are separate concepts. Option B accurately captures the definition.

(vii) What is meant by trade discount?

- A. A discount given if the invoice is paid.
- B. A discount given for cash payment.
- C. A discount given to supplier.
- D. A discount given to traders.

Correct Answer: D

Reason: A trade discount is a reduction in the invoice amount offered to traders or customers (often for bulk purchases or as a standard business practice) to encourage sales. It is not tied to payment timing (A) or cash payments (B), nor is it given to suppliers (C), as suppliers provide goods or services. Option D correctly identifies that trade discounts are given to traders or buyers.

(viii) The balance in the purchases ledger is usually

- A. credit balance
- B. contra balance
- C. nominal balance
- D. debit balance.

Correct Answer: A

Reason: The purchases ledger (also called the creditors' ledger) records amounts owed to suppliers for credit purchases. Since the business owes money to suppliers, the balances in the purchases ledger are typically credit balances, reflecting liabilities. A debit balance (D) would imply the business is owed money, which is rare in this context. Contra balance (B) is not a standard term here, and nominal balance (C) is irrelevant, as nominal accounts relate to expenses/revenues, not ledgers. Option A is correct.

(ix) In the trading account, the sales returns should be

- A. added to cost of goods sold
- B. deducted from purchases
- C. deducted from sales
- D. added to sales.

Correct Answer: C

Reason: Sales returns represent goods returned by customers, reducing the total sales figure. In the trading account, sales returns are deducted from gross sales to calculate net sales. Adding to cost of goods sold (A) or deducting from purchases (B) would incorrectly affect other components of the trading account. Adding to sales (D) is incorrect, as returns reduce sales. Option C is the correct treatment.

(x) The journal is described as

- A. part of the double entry system
- B. a form of sales day book
- C. a form of diary
- D. a supplementary to the balance sheet.

Correct Answer: C

2. Match the items in **Column A** with the responses in **Column B** by writing the letter of the correct response below the item number in the table provided.

<i>Column A</i>	<i>Column B</i>
(i) Used to record items that are much less common. (ii) The individual record of a person, firm, a thing, an item of income or expenses. (iii) Each transaction is recorded in its two-fold aspects. (iv) A written order from a bank current holder addressed to the bank to pay stated money. (v) Record which involving the assets of the business. (vi) Record the items of expenses incurred and income earned. (vii) A document used to record payments of goods purchased and sold on credit. (viii) A document sent by the seller to the buyer to correct an undercharge in an invoice. (ix) A document sent by the seller to the buyer to correct an overcharge in an invoice. (x) A written acknowledgement of money received or paid.	A Ledger B Real account C Sales ledger D Double entry E Cheque F Account G Receipt H Journal I Credit note J Purchases ledger K Debit note L General ledger M Invoice N Personal account O Nominal account

ANSWERS:

Column A	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Column B	H	F	D	E	B	O	M	K	I	G

SECTION B (20 Marks)

3. Mention any five types of books of original entry.

- (i)**Sales daybook**.....
- (ii)**Sales returns daybook**.....
- (iii)**Purchases daybook**.....
- (iv)**Purchases returns daybook**.....
- (v)**The general journal (Journal proper)**.....

4. State the nature of the following accounts whether they are debit or credit balance.

Accounts	Nature of the Account
(i) Capital account	Credit Balance
(ii) Purchases account	Debit Balance
(iii) Sales account	Credit Balance
(iv) Rent received account	Credit Balance
(v) Rent account	Debit Balance
(vi) Drawing account	Debit Balance
(vii) Machinery account	Debit Balance
(viii) Debtors account	Debit Balance
(ix) Creditors account	Credit Balance
(x) Stock account	Debit Balance

5. Yamolo Company provides the following financial data as at 31st December 2013. Prepare a balance sheet using the information below:

Buildings	500,000
Fixture and Fitting	100,000
Plant and Machinery	300,000
Stock	100,000
Cash at Bank	250,000
Cash in Hand	50,000
Debtors	250,000
Creditors	350,000
Liabilities	200,000
Capital	1,000,000

Yamolo's Company Balance Sheet as at 31st December 2013

Assets	Amount	Liabilities and Capital	Amount
Buildings	500,000	Capital	1,000,000
Fixture and Fitting	100,000	Creditors	350,000
Plant and Machinery	300,000	Liabilities	200,000
Stock	100,000		
Debtors	250,000		
Cash at Bank	250,000		
Cash in Hand	50,000		
Total Assets	1,550,000	Total Liabilities and Capital	1,550,000

6. Jaja Company provides the following financial data as at 30th June 2014:
 Balance as per cash book on 30th June 2014 (before adjustments): 25,000
 Bank charges recorded on 30th June 2014: 1,600
 Balance as per bank statement on 30th June 2014: (5,200) (overdraft)
 Uncredited cheque: 41,000
 Unpresented cheques: 8,800 and 3,600

Instructions:

- Prepare an adjusted cash book for Jaja Company as at 30th June 2014, incorporating the bank charges and determining the adjusted cash book balance.
- Prepare a bank reconciliation statement to reconcile the adjusted cash book balance with the bank statement balance as at 30th June 2014.

(i) Adjusted Cash Book for Jaja Company as at 30th June 2014

DR				CR			
Date	Particular	F	Amount	Date	Particular	F	Amount
30th June	Balance	b/d	25,000	30th June	Bank Charges		1,600
				30th June	Balance c/d	c/d	23,400
Total			<u>25,000</u>	Total			<u>25,000</u>
1st July	Balance	b/d	23,400				

(ii) Bank Reconciliation Statement as at 30th June 2014

Description	Amount
Balance as per bank statement	(5,200)
Add: Uncredited cheque	41,000
Subtotal	<u>35,800</u>
Less: Unpresented cheques	8,800
	3,600
Total Adjustments	12,400
Balance as per cash book	23,400

7. The following transactions are provided for Nankambila for the year ended 30th December 2013:

Opening Stock as at 1st January 2013: 120,000

Purchases: 130,000

Purchase Returns: 37,000

Sales: 310,000

Sales Returns: 16,000

Closing Stock as at 31st December 2013: 170,000

Wages: 20,000

Discount Allowed: 10,000

Discount Received: 25,000

Instructions:

Prepare the Trading, Profit and Loss Account for Nankambila for the year ended 30th December 2013.

Nankambila Trading, Profit and Loss A/c at Year Ended 30/12/2013

Dr	Amount	Cr	Amount
Opening Stocks (1.1.2013)	120,000	Sales	310,000
Add: Purchases	130,000	Less: Sales Returns	(16,000)
Less: P. Returns	(37,000)	Net Sales	294,000
Net Purchases	243,000		
Cost of Goods Available for Sale	353,000		
Less: Closing Stock (31.12.2013)	(170,000)		
Cost of Goods Sold	183,000		
Gross Profit c/d	111,000		
Total	<u>294,000</u>	Total	<u>294,000</u>
Wages	20,000	Gross Profit b/d	111,000
Discount Allowed	10,000	Discount Received	25,000
Net Profit	106,000		
Total	<u>136,000</u>	Total	<u>136,000</u>