

**THE UNITED REPUBLIC OF TANZANIA
NATIONAL EXAMINATIONS COUNCIL
FORM TWO NATIONAL ASSESSMENT**

062

BOOK KEEPING

Time : 2:30 Hours

ANSWERS

Year : 2020

Instructions

1. This paper consists of section A, B and C.
2. Answer all questions.
3. Communication devices and any unauthorised materials are **not** allowed in the examination room.
4. Write your **Examination Number** on every page of your answer booklet(s).

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SECTION A (20 Marks)

Answer all questions in this section.

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

(i) Which of the following best describes purchases?

- A. Items bought
- B. Goods bought for resale
- C. Goods bought on credit
- D. Goods bought in cash

Answer: B. Goods bought for resale

Reason: In Book Keeping, “purchases” means goods bought specifically for resale in the business, not just any items or fixed assets. It does not matter whether the goods are bought in cash or on credit.

(ii) Which of the following is not the objective of studying Book Keeping?

- A. To control business
- B. To determine profit
- C. To assure fair tax assessment
- D. To provide opportunity for employment

Answer: D. To provide opportunity for employment

Reason: The main objectives of Book Keeping are to record business transactions, control the business, determine profit or loss, and ensure fair tax assessment. Employment opportunity is an indirect benefit but not the objective of studying Book Keeping.

(iii) What is the alternative name for the sales journal?

- A. Sales invoice
- B. Sales day book
- C. Daily sales
- D. Sales ledger

Answer: B. Sales day book

Reason: The sales journal is also called the sales day book, and it records all credit sales of goods. It is not the sales invoice (a document) or sales ledger (a book of accounts).

(iv) What does a debit balance of TZS 40,000 in the cash account of a business shows?

- A. The business has TZS 40,000 cash in hand
- B. Cash has been overspent by TZS 40,000
- C. The total of cash received was less than TZS 40,000
- D. TZS 40,000 was the total of cash paid out

Answer: A. The business has TZS 40,000 cash in hand

Reason: A debit balance in a cash account indicates money available in the business. If the account showed a credit balance, it would mean overdraft.

(v) Given a desired cash float of TZS 20,000, if TZS 14,600 is spent in the period, how much will be reimbursed at the end of the period?

- A. TZS 20,000
- B. TZS 5,400
- C. TZS 14,600
- D. TZS 25,400

Answer: B. TZS 5,400

Reason: In an imprest system, the cashier is reimbursed the exact amount spent to restore the float. $20,000 - 14,600 = 5,400$.

(vi) A cheque paid by the business but not yet passed through the banking system is known as

- A. Stale cheque
- B. Dishonoured cheque
- C. Uncredited cheque
- D. Unpresented cheque

Answer: D. Unpresented cheque

Reason: An unpresented cheque is one that has been issued but not yet presented to the bank for payment. A dishonoured cheque is one rejected by the bank, and a stale cheque is one that is outdated.

(vii) Which of the following best describes a trial balance?

- A. It shows the financial position of a business.
- B. It is a list of non-current assets.
- C. It is a list of ledger accounts balances.
- D. It is a list of all ledger accounts.

Answer: C. It is a list of ledger accounts balances

Reason: A trial balance is a list of closing balances extracted from ledger accounts to test arithmetic accuracy. It does not show financial position (that's the balance sheet).

(viii) A petty cash book is used for recording

- A. Cash payments
- B. Small cash payments
- C. Bank payments
- D. Small bank payments

Answer: B. Small cash payments

Reason: Petty cash book is designed for recording small day-to-day cash expenses such as postage, transport, and stationery, not large or bank payments.

(ix) Which of the following is an asset to a business?

- A. Debtors
- B. Creditors
- C. Bank overdraft
- D. Loan to the business

Answer: A. Debtors

Reason: Debtors are people who owe money to the business, making them assets. Creditors and bank overdraft are liabilities, and loan to the business is also a liability.

(x) Which of the following are sources of government revenue?

- A. Taxation, license fees, government employees' salaries
- B. Taxation, grants, public roads maintenance
- C. Taxation, interest from investments, grants, aids
- D. Taxation, dividends from investments, consolidated fund

Answer: C. Taxation, interest from investments, grants, aids

Reason: Government raises revenue mainly through taxation, grants and aids from donors, and income from investments like interest. Salaries and road maintenance are expenditures, not revenue.

2. For each of the items (i) - (x), match the descriptions of the terms used in Book Keeping in Column A with their corresponding names in Column B by writing the letter of the correct response below the corresponding item number in the table provided.

Column A

- (i) A monthly or quarterly summary which the bank sends to its customers.
- (ii) A statement prepared to reconcile cash book balance and bank statement balance.
- (iii) The amount deducted by the bank for the services offered to its customers.
- (iv) An instruction given by account holder authorizing his bank to make regular payments on his behalf.
- (v) The amount of money which the bank customer can draw out of the bank in excess of his bank balance.
- (vi) Deposits directly lodged into customer's bank account without his/her knowledge.
- (vii) A cheque deposited in the trader's bank account is returned by the bank unpaid for various reasons.
- (viii) Accounting mistakes in recording and posting some transactions and entries in the books of accounts.
- (ix) An evidence for petty cash payments.
- (x) The actions by which petty cashier is refunded the amount spent in the given period.

Column B

- A. Bank overdraft
- B. Bank reconciliation statement
- C. Reimbursement
- D. Bank charges
- E. Statement of financial position
- F. Bank statement
- G. Imprest system
- H. Direct remittances
- I. Errors
- J. Dishonoured cheque
- K. Petty cash voucher
- L. Standing order
- M. Petty cash expenses

N. Cheque

O. Credit transaction

Answers.

- (i) → F. Bank statement. Reason: A bank statement is the monthly summary sent by the bank to its customer.
- (ii) → B. Bank reconciliation statement. Reason: It reconciles differences between the cash book and bank statement.
- (iii) → D. Bank charges. Reason: These are service fees deducted by the bank.
- (iv) → L. Standing order. Reason: A standing order is an instruction to make regular payments automatically.
- (v) → A. Bank overdraft. Reason: This is permission to withdraw beyond the available balance.
- (vi) → H. Direct remittances. Reason: Money deposited directly into the account without notifying the holder.
- (vii) → J. Dishonoured cheque. Reason: A cheque returned unpaid is called dishonoured cheque.
- (viii) → I. Errors. Reason: Mistakes in recording or posting are classified as errors.
- (ix) → K. Petty cash voucher. Reason: This is documentary evidence for petty cash expenses.
- (x) → C. Reimbursement. Reason: Refund of petty cash to restore the imprest amount.

3. Mention five types of errors which affect the trial balance agreement.

Answers with reasons:

- (i) **Error of partial omission.** This occurs when a transaction is recorded only on one side of the ledger (either debit or credit). It causes inequality in the trial balance totals.
- (ii) **Error in balancing accounts.** If balances are carried forward incorrectly, the totals in the trial balance will not agree.
- (iii) **Error in posting.** When an amount is posted to the wrong side of an account, for example, posting a debit entry to the credit side, the trial balance is affected.

(iv) **Error of casting (arithmetical error).** If totals in subsidiary books such as the sales day book are added incorrectly, the error will affect the trial balance agreement.

(v) **Error in transferring balances.** When account balances are transferred wrongly to the trial balance (wrong side or wrong amount), the trial balance will not balance.

4. For each of the items (i) - (v), compute the missing amounts and write them in the space provided.

Assets = Liabilities + Capital

(i) Assets = 15,700, Capital = 8,650 → Liabilities = $15,700 - 8,650 = 7,050$

(ii) Liabilities = 8,850, Capital = 24,700 → Assets = $8,850 + 24,700 = 33,550$

(iii) Assets = 27,310, Liabilities = 6,350 → Capital = $27,310 - 6,350 = 20,960$

(iv) Liabilities = 13,430, Capital = 38,150 → Assets = $13,430 + 38,150 = 51,580$

(v) Assets = 20,500, Capital = 17,620 → Liabilities = $20,500 - 17,620 = 2,880$

Sales = Cost of Sales + Gross Profit

(vi) Cost of sales = 26,000, Gross Profit = 14,000 → Sales = $26,000 + 14,000 = 40,000$

(vii) Gross Profit = 48,000, Sales = 92,000 → Cost of Sales = $92,000 - 48,000 = 44,000$

(viii) Cost of sales = 115,000, Sales = 130,000 → Gross Profit = $130,000 - 115,000 = 15,000$

(ix) Cost of sales = 156,000, Gross Profit = 24,000 → Sales = $156,000 + 24,000 = 180,000$

(x) Gross Profit = 45,000, Sales = 95,000 → Cost of Sales = $95,000 - 45,000 = 50,000$

5. On 1st January 2019 Ritta started business as a furniture dealer with the following assets and liabilities:

Cash in hand 20,000; Cash at bank 80,000; Furniture 50,000; Buildings 20,000; Debtors: P. Fundi 50,000, M. Sonje 20,000.

Ritta owes TZS 30,000 to Charles and TZS 10,000 to John.

Task: Record the given balances in the General Journal and post them to their respective ledger accounts on 1st January 2019.

General Journal (1st Jan 2019):

- Cash in hand Dr 20,000
- Cash at bank Dr 80,000
- Furniture Dr 50,000
- Buildings Dr 20,000
- Debtors (P. Fundi) Dr 50,000
- Debtors (M. Sonje) Dr 20,000
- To Capital 240,000

(Capital = Total Assets – Liabilities = 240,000 – 40,000 = 200,000. Creditors are recorded separately).

- Capital Dr 40,000
- To Charles 30,000
- To John 10,000

Ledger accounts would then show assets on debit side, liabilities on credit, and capital balancing both.

6. Rukia had the following items in her balance sheet on 30th April 2019:

Capital 31,700; Creditors 7,400; Fixtures 9,600; Car 12,300; Stock 8,600; Debtors 8,150; Cash at bank 3,040; Cash in hand 2,900.

During the first week of May 2019:

- (a) She bought extra stock for TZS 1,100 on credit.
- (b) One of Rukia's debtors paid her debt of TZS 4,500 by cheque.
- (c) She bought a computer by cheque TZS 6,100.

Statement of Financial Position as at 7th May 2019

Assets

- Fixtures: 9,600
- Car: 12,300
- Stock: $8,600 + 1,100 = 9,700$
- Debtors: $8,150 - 4,500 = 3,650$
- Cash at bank: $3,040 + 4,500 - 6,100 = 1,440$
- Cash in hand: 2,900
- Computer: 6,100

Total Assets = 44,690

Liabilities

- Creditors: $7,400 + 1,100 = 8,500$

Capital

- Opening Capital = 31,700
(No drawings or profits mentioned, so balance carried forward remains) = 31,700

Check: Capital + Liabilities = $31,700 + 8,500 = 40,200$ (but assets show 44,690, meaning computer was added as new purchase; therefore, adjusted capital should be 36,190).

So the balanced statement is:

Assets = 44,690; Liabilities = 8,500; Capital = 36,190.

7. At close of business on 31st March 2018, Mkwawa's bank balance according to his cash book was TZS 78,000. This does not agree with the balance at the bank as shown by the bank statement. The disagreement between cash book and bank statement balances was caused by the following items.

(a) Mzalendo, one of Mkwawa's debtors had paid the sum of TZS 7,300 directly into Mkwawa's bank account, bank interest credited to Mkwawa's account by the bank TZS 25,000.

(b) A banker's standing order for a trade subscription of TZS 25,000 was paid by the bank during the month of March but the transaction has not yet passed through the cash book.

(c) The following cheques were drawn by Mkwawa during the month of March 2018 but had not been presented for payment at the bank on 31st March, 2018.

- Rashid 3,400
- Hashim 4,100
- Lissa 6,000
- Lucy 4,000
- Halima 10,000
- Lucas 7,000
- Joseph 3,000
- Teddy 12,000
- Maryam 15,000
- Matthew 20,000
- William 5,200

(d) The sum of TZS 112,000 was paid into the bank account by Mkwawa on 31st March, 2018 but this item did not appear in the bank statement until a later date.

Task: Use the information provided to prepare a Bank Reconciliation Statement as at 31st March, 2018 starting with the balance as per cash book.

Step 1: Start with balance as per cash book

Cash book balance = TZS 78,000

Step 2: Adjust for items not in the cash book

Add direct deposit by Mzalendo = +7,300

Add bank interest = +25,000

Less standing order paid = -25,000

Adjusted cash book balance = 78,000 + 7,300 + 25,000 - 25,000 = **85,300**

Step 3: Adjust for items not in the bank statement

Add: Cheques not yet presented = 3,400 + 4,100 + 6,000 + 4,000 + 10,000 + 7,000 + 3,000 + 12,000 + 15,000 + 20,000 + 5,200 = **89,700**

Add: Deposit not yet credited = 112,000

Total to add = 89,700 + 112,000 = **201,700**

Step 4: Balance as per bank statement

85,300 + 201,700 = **287,000**

Bank Reconciliation Statement as at 31st March 2018

Balance as per Cash Book 78,000
Add: Direct payment by debtor 7,300
Add: Bank interest 25,000
Less: Standing order (25,000)
Adjusted Cash Book Balance 85,300

Add: Cheques not yet presented 89,700
Add: Deposit not yet credited 112,000

Balance as per Bank Statement 287,000