

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

**061**

**BOOK KEEPING**

**Time: 2:30 Hours**

**ANSWERS**

**Year: 2022**

**Instructions**

1. This paper consists of Section **A**, **B** and **C** with a total of **ten (10)** questions
2. Answer **all** questions.
3. Section **A** and **C** carry **fifteen (15)** marks each and section **B** carries **seventy (70)** marks
4. Cellular phones and unauthorized materials are not allowed in the assessment room
5. Write your **Assessment Number** at the top right-hand corner of every page.

**FOR ASSESSOR'S USE ONLY**

<b>QUESTION NUMBER</b>	<b>SCORE</b>	<b>ASSESSOR'S INITIALS</b>
<b>1</b>		
<b>2</b>		
<b>3</b>		
<b>4</b>		
<b>5</b>		
<b>6</b>		
<b>7</b>		
<b>8</b>		
<b>9</b>		
<b>10</b>		
<b>TOTAL</b>		
<b>CHECKER'S INITIALS</b>		

## SECTION A (15 Marks)

Answer all questions.

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

(i) James, the owner of coffee shop took TZS 18,000,000 from the coffee shop account. He used the money to buy a motor vehicle for his wife. The act by James is best described as

A purchases.

B sales.

C drawings.

D capital.

Taking money from the business for personal use (buying a vehicle for his wife) is considered drawings, as it reduces the owner's capital in the business.

Answer: C

(ii) Mengi sold a machine for cash TZS 8,000,000. What would be the effect of this transaction in the accounting records?

A Asset of cash will increase, Asset of machine will decrease.

B Asset of cash will decrease, Asset of machine will increase.

C Asset of cash will increase, Asset of machine will increase.

D Asset of cash will decrease, Asset of machine will decrease.

Selling a machine for cash means the business receives cash (asset increases) and loses the machine (asset decreases).

Answer: A

(iii) A Book Keeping teacher asked students in a class to define a Trial Balance. Which definition would you give?

A Is a statement showing a list of debit and credit balances.

B Is a statement showing a list of debit balances.

C Is a statement showing a list of credit balances.

D Is a statement showing a list of assets and liabilities.

A Trial Balance is a statement that lists all debit and credit balances from the ledger to check the accuracy of double-entry recording.

Answer: A

(iv) The following are internal users of financial statements except

A managers.

B owners.

C investors.

D wholesalers.

Internal users include managers and owners, who are part of the business. Investors are external users, as they are not involved in daily operations. Wholesalers are also external but typically not primary users of financial statements.

Answer: D

(v) What would be the double entry for cash withdrawn from bank for business use?

A Debit cash account, credit business account.

B Debit business account, credit bank account.

C Debit bank account, credit cash account.

D Debit cash account, credit bank account.

Withdrawing cash from the bank for business use increases cash (asset) and decreases the bank (asset).

Answer: D

(vi) Mr. Swai purchased goods on credit from Jones for TZS 3,800,000. The supplier offered him a trade discount of 2%. How much would be the amount due to the supplier?

A TZS 3,876,000

B TZS 3,800,000

C TZS 3,724,000

D TZS 76,000

Trade discount = 2% of 3,800,000 =  $0.02 \times 3,800,000 = 76,000$

Amount due = 3,800,000 - 76,000 = 3,724,000

Answer: C

(vii) During the Book Keeping lesson, students were taught about expenses that can be paid out of petty cash. The following are among those expenses, except

A van replacement cost.

B staff travelling cost.

C wages cost.

D postage cost.

Petty cash is used for small, routine expenses like staff travelling, postage, or minor office costs. Van replacement cost is a large capital expenditure, not suitable for petty cash.

Answer: A

(viii) The bank column of the cash book showed a credit balance of TZS 1,600,000. If the bank statement shows a standing order payment of TZS 200,000, how much would be the adjusted cashbook balance?

A TZS 1,200,000 debit balance

B TZS 200,000 credit balance

C TZS 1,800,000 debit balance

D TZS 1,800,000 credit balance

A credit balance in the bank column of the cash book indicates an overdraft (liability). A standing order payment of 200,000 (not yet in the cash book) increases the overdraft.

Adjusted balance = 1,600,000 + 200,000 = 1,800,000 (credit balance).

Answer: D

(ix) The appropriate measure to correct budget deficit of the government may involve

A seeking aids and grants abroad.

B encouraging more expenditure on unproductive sectors.

C reducing taxes and levy.

D increasing recurrent expenditure.

To correct a budget deficit, the government can increase revenue by seeking aids and grants abroad. Reducing taxes or increasing expenditure would worsen the deficit.

Answer: A

(x) Which error is corrected through the suspense account?

A Commission received of TZS 210,000 debited to sales account.

B Credit note issued of TZS 500,000 not recorded in the books.

C Purchase of office furniture TZS 450,000 debited to purchases account.

D Purchase of stationery TZS 250,000 entered in the books as TZS 25,000.

Errors affecting the trial balance (causing imbalance) are corrected via a suspense account. Option D (understated by 225,000) affects the trial balance totals. The others are errors of principle or omission, which don't necessarily cause imbalance.

Answer: D

2. For each of the items (i) to (v), match the descriptions of types of errors which do not affect the agreement of a trial balance in Column A with their corresponding names in Column B by writing the letter of the correct response below the item number in the table provided.

Column A

Column B

(i) An error where a transaction is not recorded in the books.

A Error of principle

(ii) An error where the correct amount is entered but in the wrong account.

B Complete reversal of entries

(iii) An error where an item is entered in the wrong class of account.

C Error of commission

(iv) An error where errors cancel out each other in the trial balance.

D Compensating error

(v) An error where the original amount of a transaction is incorrectly recorded in the accounts.

E Error of original entry

F Error of omission

G Error of recording

- (i) Transaction not recorded → F (Error of omission)
- (ii) Correct amount, wrong account → C (Error of commission)
- (iii) Wrong class of account → A (Error of principle)
- (iv) Errors cancel out → D (Compensating error)
- (v) Original amount incorrect → E (Error of original entry)

## SECTION B (40 Marks)

Answer all questions.

3. Credit note and debit note are documents widely used in recording financial business transactions. Briefly contrast between the two documents by giving five points.

- (i) Purpose: A credit note is issued by a seller to reduce the buyer's invoice amount (e.g., for returns). A debit note is issued by a buyer to request a reduction from the seller (e.g., for defective goods).
- (ii) Issuer: Credit note is issued by the seller. Debit note is issued by the buyer.
- (iii) Effect on Accounts: Credit note reduces the buyer's payable (credit in buyer's books). Debit note reduces the seller's receivable (debit in seller's books).
- (iv) Reason: Credit note is issued for returns, overcharges, or allowances. Debit note is issued for returns to supplier or undercharges.
- (v) Recording: Credit note is recorded in the sales returns book (seller). Debit note is recorded in the purchases returns book (buyer).

4. For each of the transactions (i) - (x), state the name of the account to be debited and the account to be credited by inserting the name of the account in the appropriate column.

S/N

Transaction

Account to be Debited

Account to be Credited

(i) Started business with cash in hand:

Dr Cash (asset increases), Cr Capital (equity increases).

Answer: Cash | Capital

(ii) Cash purchase of goods for resale:

Dr Purchases (expense increases), Cr Cash (asset decreases).

Answer: Purchases | Cash

(iii) Paid rent by cash:

Dr Rent (expense increases), Cr Cash (asset decreases).

Answer: Rent | Cash

(iv) Deposited cash into bank:

Dr Bank (asset increases), Cr Cash (asset decreases).

Answer: Bank | Cash

(v) Paid insurance through bank:

Dr Insurance (expense increases), Cr Bank (asset decreases).

Answer: Insurance | Bank

(vi) Sold goods on credit to Pamoja:

Dr Pamoja (debtors increase), Cr Sales (revenue increases).

Answer: Pamoja | Sales

(vii) Sold goods in cash to John:

Dr Cash (asset increases), Cr Sales (revenue increases).

Answer: Cash | Sales

(viii) Cash withdrawn from bank for personal use:

Dr Drawings (reduces capital), Cr Bank (asset decreases).

Answer: Drawings | Bank

(ix) Bought stationeries for cash:

Dr Stationery (expense increases), Cr Cash (asset decreases).

Answer: Stationery | Cash

(x) Received a cheque from Pamoja:

Dr Bank (asset increases), Cr Pamoja (debtors decrease).

Answer: Bank | Pamoja

Table

S/N	Transaction	Account to be Debited	Account to be Credited
(i)	Started business with cash in hand	Cash	Capital
(ii)	Cash purchase of goods for resale	Purchases	Cash
(iii)	Paid rent by cash	Rent	Cash
(iv)	Deposited cash into bank	Bank	Cash
(v)	Paid insurance through bank	Insurance	Bank
(vi)	Sold goods on credit to Pamoja	Pamoja	Sales
(vii)	Sold goods in cash to John	Cash	Sales
(viii)	Cash withdrawn from bank for personal use	Drawings	Bank
(ix)	Bought stationeries for cash	Stationery	Cash
(x)	Received a cheque from Pamoja	Bank	Pamoja

5. Mataya traders bought goods worth TZS 5,000,000 from Khumbo Stores. Mataya is offered a trade discount of 10% and a cash discount of 5% if he pays the bill within 30 days. Use the information provided to calculate the following:

- (a) Trade discounts
- (b) Amount due to Khumbo Stores
- (c) Discount received if he paid within 30 days
- (d) Net amount to be paid to Khumbo Stores



(a) Trade discounts:

$$\text{Trade discount} = 10\% \text{ of } 5,000,000 = 0.10 \times 5,000,000 = 500,000$$

Answer: 500,000

(b) Amount due to Khumbo Stores:

$$\text{Amount due} = 5,000,000 - 500,000 = 4,500,000$$

Answer: 4,500,000

(c) Discount received if he paid within 30 days:

$$\text{Cash discount} = 5\% \text{ of } 4,500,000 = 0.05 \times 4,500,000 = 225,000$$

Answer: 225,000

(d) Net amount to be paid to Khumbo Stores:

$$\text{Net amount} = 4,500,000 - 225,000 = 4,275,000$$

Answer: 4,275,000

6. The bank column of Kinyonga's cash book showed a balance of TZS 7,500,000 on 31st March, 2021, while the bank statement showed a balance of TZS 4,700,000. Analyze five causes for the difference between the two balances.

(i) Unpresented Cheques: Cheques issued by Kinyonga but not yet presented to the bank reduce the bank statement balance.

(ii) Uncredited Deposits: Deposits made by Kinyonga but not yet credited by the bank increase the cash book balance.

(iii) Bank Charges: Charges deducted by the bank (not yet recorded in the cash book) reduce the bank statement balance.

(iv) Standing Orders: Automatic payments made by the bank (not yet in the cash book) reduce the bank statement balance.

(v) Credit Transfers: Direct deposits into the bank account (not yet in the cash book) increase the bank statement balance.

Answer:

(i) Unpresented Cheques: Cheques issued but not presented.

(ii) Uncredited Deposits: Deposits not yet credited by the bank.

(iii) Bank Charges: Charges deducted by the bank.

(iv) Standing Orders: Automatic payments made by the bank.

(v) Credit Transfers: Direct deposits into the bank account.

### SECTION C (45 Marks)

Answer all questions.

7. Mwendapole Enterprises had the following transactions for the month of April 2021:

April 1: Bought from Majogoo Traders: 100 dozens of kids clothes @ TZS 3,000; 250 pairs kids shoes @ TZS 2,000.

April 7: Bought from Wasanii Traders: 100 cartons of milk biscuits @ TZS 4,000; 130 cartons of tamu biscuits @ TZS 2,000; 200 cartons of leo biscuits @ TZS 1,000.

April 10: Returned to Wasanii Traders: 15 cartons of mango juice @ TZS 4,000; 10 cartons of apple juice @ TZS 2,000.

April 15: Bought from Tuwangoma: 50 boxes of white chalk @ TZS 2,000; 45 boxes of red chalk @ TZS 1,500; 60 boxes of blue chalk @ TZS 1,500; 50 boxes of green chalk @ TZS 1,000.

April 25: Bought from Lipembe clothes worth TZS 300,000.

April 28: Returned to Tuwangoma: 25 boxes of white chalk @ TZS 2,000.

Record the transactions for April, 2021 in the Purchases Journal, Purchases Returns Journal and post the entries to the Purchases Account, Returns Outwards Account, Majogoo Traders Account, Wasanii Traders Account, Tuwangoma Account and Lipembe Account.

#### Purchases Journal

Date

Details

Amount (TZS)

Apr 1

Majogoo Traders

100 dozens kids clothes @ 3,000

300,000

250 pairs kids shoes @ 2,000

500,000

Total

800,000

Apr 7

Wasanii Traders

100 cartons milk biscuits @ 4,000

400,000

130 cartons tamu biscuits @ 2,000

260,000

200 cartons leo biscuits @ 1,000

200,000

Total

860,000

Apr 15

Tuwangoma

50 boxes white chalk @ 2,000

100,000

45 boxes red chalk @ 1,500

67,500

60 boxes blue chalk @ 1,500

90,000

50 boxes green chalk @ 1,000

50,000

Total

307,500

Apr 25

Lipembe

300,000

Apr 30

Total to Purchases Account

2,267,500

Purchases Returns Journal

Date

Details

Amount (TZS)

Apr 10

Wasanii Traders

15 cartons mango juice @ 4,000

60,000

10 cartons apple juice @ 2,000

20,000

Total

80,000

Apr 28

Tuwangoma

25 boxes white chalk @ 2,000

50,000

Apr 30

Total to Returns Outwards Account

130,000

Ledger Accounts

Purchases Account

Dr

Apr 30 | Purchases Journal | 2,267,500

Returns Outwards Account

Cr

Apr 30 | Purchases Returns Journal | 130,000

Majogoo Traders Account

Cr

Apr 1 | Purchases Journal | 800,000

Wasanii Traders Account

Cr

Apr 7 | Purchases Journal | 860,000

Dr

Apr 10 | Purchases Returns Journal | 80,000

Tuwangoma Account

Cr

Apr 15 | Purchases Journal | 307,500

Dr

Apr 28 | Purchases Returns Journal | 50,000

Lipembe Account

Cr

Apr 25 | Purchases Journal | 300,000

8. The financial year of Hamisa & Family Stores ends on 31st December annually. The following information has been extracted from the Stores' accounting records for the year ending 31st December 2020:

Use the information provided to prepare the Store's Income Statement for the year ending 31st December, 2020 and Statement of Financial Position as at 31st December, 2020.

#### Income Statement for the Year Ended 31st December 2020

Net Sales = 9,780,000 (no returns mentioned)

Cost of Goods Sold (COGS):

COGS = Opening Inventory + Purchases - Closing Inventory

= 1,037,000 + 8,500,000 - 1,535,000 = 8,002,000

Gross Profit = Net Sales - COGS

= 9,780,000 - 8,002,000 = 1,778,000

Expenses:

Rent: 450,000

Insurance: 187,000

Heating Expenses: 160,000

Motor Van Expenses: 584,000

Salaries: 922,000

Sundry Expenses: 252,200

Total Expenses = 450,000 + 187,000 + 160,000 + 584,000 + 922,000 + 252,200 = 2,555,200

Net Profit = Gross Profit - Total Expenses

= 1,778,000 - 2,555,200 = -777,200 (Net Loss)

#### Hamisa & Family Stores Income Statement for the Year Ended 31st December 2020

Details

TZS

TZS

Sales

9,780,000

Less: Cost of Goods Sold

Opening Inventory

1,037,000

Purchases	
8,500,000	
9,537,000	
Less: Closing Inventory	
1,535,000	
Cost of Goods Sold	
8,002,000	
Gross Profit	
1,778,000	
Less: Expenses	
Rent	
450,000	
Insurance	
187,000	
Heating Expenses	
160,000	
Motor Van Expenses	
584,000	
Salaries	
922,000	
Sundry Expenses	
252,200	
Total Expenses	
2,555,200	
Net Loss	
777,200	

Statement of Financial Position as at 31st December 2020

Assets:

Non-Current Assets:

Motor Van: 1,050,000

Fixtures & Fittings: 1,011,200

Buildings: 8,200,000

Total Non-Current Assets = 10,261,200

Current Assets:

Inventory (Closing): 1,535,000

Debtors: 2,016,000

Cash at Bank: 848,400

Cash in Hand: 500,000

Total Current Assets = 4,899,400

Total Assets = 10,261,200 + 4,899,400 = 15,160,600

Liabilities and Capital:

Capital: 10,079,400

Less: Net Loss: 777,200

Less: Drawings: 1,416,600

Adjusted Capital = 10,079,400 - 777,200 - 1,416,600 = 7,885,600

Long-Term Liabilities:

Bank Loan: 5,300,000

Current Liabilities:

Creditors: 1,975,000

Total Liabilities = 7,275,000

Total Capital and Liabilities = 7,885,600 + 7,275,000 = 15,160,600

Hamisa & Family Stores Statement of Financial Position as at 31st December 2020



Details

TZS

TZS

Assets

Non-Current Assets

Motor Van

1,050,000

Fixtures & Fittings

1,011,200

Buildings

8,200,000

10,261,200

Current Assets

Inventory (Closing)

1,535,000

Debtors

2,016,000

Cash at Bank

848,400

Cash in Hand

500,000

4,899,400

Total Assets

15,160,600

Capital and Liabilities

Capital

10,079,400	
Less: Net Loss	
777,200	
9,302,200	
Less: Drawings	
1,416,600	
7,885,600	
Long-Term Liabilities	
Bank Loan	
5,300,000	
Current Liabilities	
Creditors	
1,975,000	
Total Capital and Liabilities	
15,160,600	

9. A trial balance extracted from the books of Beda had the following totals: Debit column total TZS 938,400 and Credit column total TZS 932,300. Beda placed the difference in the books in a newly opened suspense account. Later on, he discovered the following errors:

- (a) A credit note of TZS 2,300 received from Zamzam a wholesaler had not been recorded anywhere in the books.
- (b) A credit note of TZS 1,400 issued to Mawiwo, a retailer had been entered correctly in the appropriate subsidiary book but had not been posted to the personal account.
- (c) A cheque of TZS 7,400 received from Dennis was entered as TZS 4,700 in the cash book and posted to the ledger accordingly.
- (d) Discounts allowed, TZS 2,350, were credited to discounts received account in the ledger.
- (e) Rent received, TZS 2,200, has been credited to premises account.
- (f) Sales book was undercast by TZS 9,400.

(g) Motor vehicle expenses TZS 15,000 was posted to salaries account.

(h) A sale on credit to Ashurah was entered to Shirati account.

Use the information provided to pass Journal entries to rectify the errors and prepare the Suspense Account.

#### Journal Entries

(a) Credit note received from Zamzam not recorded:

Dr Creditors (Zamzam) 2,300

Cr Returns Outwards 2,300

(b) Credit note issued to Mawiwo not posted to personal account:

Dr Mawiwo 1,400

Cr Suspense 1,400

(c) Cheque from Dennis understated (7,400 entered as 4,700):

Understated by  $7,400 - 4,700 = 2,700$

Dr Bank 2,700

Cr Dennis 2,700

(d) Discounts allowed credited to discounts received:

Dr Discounts Allowed 2,350

Cr Discounts Received 2,350

(Net effect: Dr Discounts Allowed 4,700 to correct)

Dr Discounts Allowed 4,700

Cr Discounts Received 4,700

(e) Rent received credited to premises:

Dr Premises 2,200

Cr Rent Received 2,200

(f) Sales book undercast by 9,400:

Dr Debtors 9,400

Cr Suspense 9,400

(g) Motor vehicle expenses posted to salaries:

Dr Motor Vehicle Expenses 15,000

Cr Salaries 15,000

(h) Sale on credit to Ashurah entered to Shirati:

Dr Ashurah

Cr Shirati

(Note: Amount not given, entry is conceptual)

Suspense Account

Details

TZS

Details

TZS

Difference (Cr > Dr)

6,100

Mawiwo

1,400

Debtors (Sales)

9,400

Balance c/d

4,700

Total

10,800

Total

10,800

Difference = 938,400 (Dr) - 932,300 (Cr) = 6,100 (Cr balance in Suspense)

Journal Entries

Details

Dr (TZS)

Cr (TZS)

(a) Creditors (Zamzam)

2,300

Returns Outwards

2,300

(b) Mawiwo

1,400

Suspense

1,400

(c) Bank

2,700

Dennis

2,700

(d) Discounts Allowed

4,700

Discounts Received

4,700

(e) Premises

2,200

Rent Received

2,200

(f) Debtors

9,400

Suspense

9,400

(g) Motor Vehicle Expenses

15,000

Salaries

15,000

(h) Ashurah