TANZANIA HEADS OF ISLAMIC SCHOOLS COUNCIL

FORM SIX INTER ISLAMIC MOCK EXAMINATION

153/1

ACCOUNTANCY 1

(For both School and Private candidates)

Time: 3 Hours Wednesday 6th March, 2024 p.m.

Instructions

1. This paper consists of sections **A** and **B** with a total of **eight (8)** questions.
2. Answer **all** questions in section **A** and **three (3)** questions from section **B**.
3. Each question in section **A** carries **ten (10)** marks and in section **B twenty (20)** marks.
4. Workings must be shown clearly and submitted.
5. Non programmable calculators may be used.
6. Cellular phones and any unauthorized materials are not allowed in the Examination Room.
7. Write your **Examination Number** on every page of your answer booklet(s).

SECTION A (40 Marks)

Answer **all** questions from this section

1. Accounting information is important in providing valuable inputs for one to make informed decisions in different business environment.

   Required: Explain different types of decisions reflecting the real world of business by considereing the following users of accounting information.

   (i) Lenders/Bankers

   (ii) Investors

   (iii) Business owners

   (iv) Accountants

2. With the help of the following ratios related to Kauthar cosmetic shop, prepare the business statement of financial position as at 31st May 2021

   Current ratio 2.50

   Liquidity ratio 1.50

   Net working capital ....TZS 300,000

   Stock turnover ratio (cost of sales/closing stock)………………........ 6 times

   Gross profit ratio 20%

   Fixed assets turnover ratio (on cost of sales) .... 2 times

   Debt collection period ....2 months

   Fixed assets to shareholders equity 0.80

   Retained earning to share capital 0.50

   Capital gearing ratio (long term debts/share capital) 0.30

   Note: Balance of current assets represents cash at bank

3. Dar es Salaam computing centre provided the following information relating to computers in service at 30th September, 2019.

Computer Brand	**HP**	**Dell**	**Accer**	**Lenovo**	**Toshiba**
Year ended 30th September	2015	2016	2017	2018	2019
Original costs	370,000	410,000	390,000	450,000	455,000
Installation costs	30,000	20,000	30,000	25,000	35,000

Up to 30th September 2019 the center had depreciated its computers by 20% p.a on the diminishing balance. In the same year each computer was incuring window repair cost of TZS 15,000. From 1st October 2019 it was decided to adopt a straight line method of estimated residual value of TZS 10,000 each over an estimated life of 5 years.

The center wishes to adjust the accrued depreciation on existing computers in line with this policy.

During the year ended 30th September 2020 the centre purchased a used Apple Computer for TZS 460,000, additional instillation cost of TZS 20,000 was paid and Dell Computer was sold for TZS 30,000 (Assume the transaction took place at the beginning of the year). A whole year depreciation is provided for every computer on hand at the end of any accounting period.

Required: Prepare the following accounts for the year ended 30th September 2020

(i) Computers account

(ii) Provision for depreciation account

(iii) Computer disposal account

4. Mbasha meat supplies offer generous credit terms to its customers. Provision is made for doubtful debts at a varying percentage based on the level of debtors at the balance sheet date and assessment of general economic conditions. Data for the last three accounting periods were as follows:

Year ending 31st December	2017	2018	2019
Trade debtors (before allowing for bad debts)	933,400	706,000	1,681,000
Bad debts	8400	6000	81,000
Provision doubtful debts	10%	12.5%	15%

The provision for doubtful debts at 1st January 2017 was TZS 65,000.

Required:

Prepare provisions for doubtful debts for each of the three years 31st December 2017, 2018 and 2019 and the statement of financial position as at that date.

SECTION B (60 Marks)

Answer **three (3)** questions in this section

5. Bahrain Ltd with the head office in Tanga has a branch in Tabora. All goods are purchased by the head office, and those invoiced to the branch are sent at a price determined to yield a profit margin of 20% which is also a selling price for the branch. All records for the branch are maintained in Tanga.

The following are the data related to branch on 1st January 2020

Branch stock at cost	33,720
Branch debtors	9,640
Branch Bank	5,340

Transactions during the year

Goods sent to branch at selling price	131,400
Goods returned to Head office by branch at selling price	3,120
Returns of goods to branch by debtors at selling price	1,740
Cash sales	50,000
Credit sales	85,240
Expenses paid by Head office	16,440
Discount allowed to debtors	2,500
Bad debts	1,700
Reduction in selling price authorized by head office	900
Cash remittance to Head office	124,000
On 31st December 2020, branch stock at selling price	33,220

Additions notes:

The firm assumes that 1% of goods sent to branch has normal loss.

Required:

(i) Branch stock account.

(ii) Branch debtors account.

(iii) Branch income statement.

6. Ilham Ltd is an Investment Company making up its account to 31st December in each year. The following transactions have been extracted from the company's records for 2019.

1st January: Purchased 100,000 ordinary shares of 0.25 each in Riam Ltd at 1.75 per share.

12th January : Purchased TZS 200,000 ordinary stock in Alpha Ltd for TZS 150,000.

1st March : Received a dividend of 20% on shares in Riam Ltd.

24th April : Received dividend of 2 ½ % on ordinary stock in Alpha Ltd.

2nd May : Riam Ltd made a bonus issue of one share for every four held.

10th May : Riam Ltd announced a right issue of two ordinary shares for every five held on the date at TZS 1.25 per share. Rights sold on the market for 0.5 per share.

1st August : Applied for TZS 500,000, 7 ¼ % loan stock in Alpha Ltd issued at 98% and payable half on application and the balance in two equal instalments on 1st October and 1st December. The application was successful.

16th September: Received dividend of 30% on shares in Riam Ltd.

1st October: Paid installment on loan stock in Alpha Ltd.

20th November: Received a dividend of 3% on ordinary stock in Alpha Ltd.

1st December: Paid installment on loan stock in Alpha Ltd.

Required:

Write up account for investment in Riam Ltd and Alpha Ltd as they would appear in the books of Il-ham Ltd for the year ended 31st December 2019, bring down the balances as on that date (Ignore stamp duty, brokerage & taxation)

7. When the Manager of Milanzi Insurance Company extracted a trial balance as at 30th June, 2022, he found that balances did not agree. He opened a suspense account, income statement and statement of financial position.

Milanzi Insurance Company's statement of financial position as at 30th June 2022.

	TZS	TZS
FIXED ASSETS		
Shop fittings	1,200,000	
Less: depreciation ……………………………………	240,000	960,000
Wheel barrow………………………………………..	2,560,000	
Less: depreciation ……………………………………	640,000	1,920,000
		2,880,000
CURRENT ASSETS		
Stock ………………………………………………….	2,333,600	
Sundry debtor ……………………………………….	1,723,200	
Cash at bank …………………………………………	876,000	
Cash in hand ………………………………………..	102,000	5,035,200
		7,915,600
OWNER EQUITY		
Capital at 1st May 2021 ……………………………		6,000,000
Add: profit …………………………………………..	4,397,600	
Less: drawings ……………………………………….	4,000,000	397,600
		6,397,600
CURRENT LIABILITIES		
Sundry creditor ………………………………………	1,510,400	
Suspense account …………………………………..	7,200	1,517,600
		7,915,200

In the investigation process the following errors were later discovered:

(a) A cheque for TZS 208,000 for the purchase of new display stand on 1st June had been recorded in cash book correctly but had been entered in the shop fittings account as TZS 160,000/=.

(b) A credit note from Asma suppliers for TZS 48,000 had been entered correctly in the purchases return account but posted to Alima suppliers as TZS 52,800.

(c) Bank charges of TZS 16,800 appeared in the cash book but had not been posted to the ledger.

(d) An invoice of TZS 111,200 for goods sold to Hizah had been correctly entered in the sales day book but has been posted to the personal account as 154,400.

(e) A debit balance of TZS 24,000 on Khira's account was counted and recorded twice and included in the trial balance at that figure.

Required:

(i) Suspense account

(ii) General Journal to correct the above errors.

(iii) Statement of revised net profit.

(iv) Corrected statement of financial position.

8. Mr. Abdullah, a retail Jeweler, extracted the following trial balance for his business as at 31st May, 2023.

DETAILS	DR	CR
	TZS (000)	TZS (000)
Sales of Jewelery		324,650
Sales return	1,250	
Cost of goods sold	174,840	
Stock	27,580	
Discount received		690
Discount allowed	1,820	
Insurance expenses	5,900	
Assistance wages expenses	33,100	
Telephone and email expenses	5,200	
Lighting and heating expenses	6,230	
Security guard's wages expenses	12,400	
Repair to premises expenses	3,970	
Accumulated depreciation of premises 1st June 2022		18,000
Accumulated depreciation of equipment 1st June 2022		4,800
Accumulated depreciation of shop fittings 1st June 2022		10,200
Rent and rates	17,000	
Sundry expense	3,940	

Premises at cost	60,000	
Equipment at cost	12,000	
Shop fittings at cost	34,000	
Debtor s	3,400	
Creditors		18,950
5% debentures		720
Bank overdraft		2325
Cash in hand	520	
Provision for doubtful debts 1st June 2022		55
Website maintenance expenses	1,430	
Publicity and advertising expense	9,740	
Mr. Abdullah's capital 1st June 2022		58,630
Mr. Abdullah's drawings	24,700	
TOTAL	**439,020**	**439,020**

Notes:

(a) Security guards were owed TZS 400,000 wages at 31st May 2023 and TZS 200,000 was owing for telephone and email expenses.

(b) TZS 900,000 of charge for maintaining the website was paid on 1st January 2023 cover a year from the date.

(c) The debenture is dated 1st May 2023 and it will mature on 30th June 2023.

(d) Mr. Abdullah gave his daughter a jewelery costing TZS 300,000 as present on 20th May 2023 and record has been made in the books of accounts.

(e) Provide provision for doubtful debts of 1% of the debtors.

(f) Depreciation is to be provided as follows.

- (i) Premises are depreciated in equal instalment over 20 years period.
- (ii) Equipment is depreciation at 40% per annum by reducing balance method.
- (iii) Shop fittings are depreciated at 10% per annum by straight line method assuming no residual value

Required:

Prepare Mr. Abdullah's Income statement for the year ending 31st May 2023 and the statement of financial position as at 31st May 2023.

Wabillah Tawfiq