TANZANIA HEADS OF ISLAMIC SCHOOLS COUNCIL

FORM SIX INTER ISLAMIC MOCK EXAMINATION

153/2

ACCOUNTANCY 2

(For both School and Private candidates)

Time: 3 Hours   Friday 8th March, 2024 a.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** carries **twenty (20)** marks.
4. All 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. Auditing is an independent examination of financial statement carried out by the independent auditor with the aim of giving out the results of the observation. Explain the meaning of auditor's opinions and four opinions which an auditor is expecting to give out after auditing activity.

2. A firm carrying out business as a domestic manufacturer supplies make their own packing cases which are charged to customer at 100% on cost but are returnable full credit then being given.

   The following are the items relating these in respect to the year ended 31 Dec 2015.

	TZS
Stock of cases in the factory at 1st Jan 2015 ………………………	59,600
Case in hand of customers as per ledger balance on 1st Jan 2015 ….	84,000
Cases charged to customers ………………………………………..	314,000
Materials used ……………………………………………………..	3,800
Wages paid for making repair ……………………………………...	15,600
Cases returned ………………………………………………………	326,000
Cases kept by customers ……………………………………………	14,000
Stock of cases in the factory at 31 Dec 2015 ………………………	28,000

   The cases in hand of customers are valued at cost less 20%.

   You are required to write up cases stock and cases reserve account in respect of the foregoing items in the book of the firm.

3. Briefly describe the following terms as applied in a payroll accounting.

   (i) Basic pay (ii) Overtime payment (iii) Allowances

   (iv) Gross pay (v) Net pay

4. Mwembechai Ltd is a manufacturer of single product whose unit budget details are as follows:

		TZS	TZS
Selling price …………………………………………….			300
<u>Less</u>: Costs.	Direct materials …………………..	90	
	Direct labour ……………………..	40	
	Direct production expenses………	60	
	Variable selling expenses ………..	40	<u>230</u>
			70

Additional information:

(a) Unit sales are expected to be

June	July	August	September	October
1,000	800	400	600	900

(b) Credit sales will re-account for 60% of total sales. Debtors are expected to pay in the month following sales for which there will be a cash discount of 2%.

(c) Stock level will be arranged as that the production of one month will meet the next month's sales demand.

(d) The purchases of direct materials in one month will just meet the next month's production requirement.

(e) Supplier of direct materials will be paid in the month following purchase.

(f) Labour cost will be paid in the month in which they are incurred. All other expenses will be paid in the month following that in which they are incurred.

(g) Fixed expenses are TZS 20,000 per month and these include TZS 1,800 depreciation.

(h) The bank balance at 1st July 2019 is TZS 390,000.

Required:

Prepare cash budget for Mwembechai Ltd for three months period ending 30th September 2019.

SECTION B (60 Marks)

Answer only **three (3)** questions from this section

5. Galaxy Ltd is a retail outlets selling words processing equipment both for cash and hire purchase term. The following information have been extracted from the book of accounts as at 31st 2018.

Details	**DR**	**CR**
Share capital (ordinary share of TZS 1 each)		75,000
Administration expenses	130,000	
Cash at bank	6,208	
Cash received from hire purchased customer at 1st September 2017		315,468
Cash sales		71,000
Depreciation of premises and equipment at 1st September 2017		45,000
Hire purchase debtors at 1st September 2017	2,268	
Premises and equipment at cost	100,000	
Profit and loss account at 1st September 2017		8,000
Provision for unrealized profit 1st September 2017		1,008
Purchases	342,000	
Stock at 1st September 2017	15,000	
Creditors		80,000

Additional information:

(i) The company policy is to make credit for gross profit (including interest for hire purchase sales in proportion to the instalment collected). It does this by rising provision for unrealized profit against the profit included in hire purchase debtors not yet due.

(ii) The cash selling price is fixed at 50% and the hire purchase selling price at 80% respectively above the cost of goods purchased.

(iii) The hire purchase contract requires initial deposit of 20% of hire purchase selling price and the balance to be paid in four equally at quarterly. The 1st instalment is due three months after the agreement is signing.

(iv) Hire purchase sales for the year amounted to TZS 540,000 (including interest).

(v) In February 2018 the company repossessed some goods which have been sold in the year; these have been purchased by TZS 3000 and unpaid instalment then amounted to TZS 3240, these were then taken to the stock at value of TZS 2500 later in the year they were sold for cash term TZS 3500.

(vi) Depreciation is charged on premises and equipment at a rate of 15% per annum on cost.

Required:

Prepare income statement for the year ended 31 August 2018.

6. D. Byellah Ltd issued a prospectus offering 200,000 ordinary shares of TZS 100 on the following terms:

Details	**TZS**
On application …………………………………………..	10 per share
On allotment including premium ………………………….	30 per share
On 1st call ……………………………………………….	40 per share
On 2nd call ……………………………………………….	40 per share

Subscription was received for 317,000 shares and allotment was made as follows:

Details	**Share allotted**
Allotment in full (two applicants paid in full on allotment in respect of 4000 shares each)	38,000
Allotment of $\frac{2}{3}$ of shares applied for	160,000
Allotment of $\frac{1}{4}$ of shares applied for	2,000

Cash amounting to Tshs 310,000 (being application money received with the application for 31,000 shares upon which no allotment was made) was returned to applicants. The amount due on the installment was received as scheduled except for 100 shares for which the holders failed to pay on second call. These shares were forfeitured and reissued to Juma store for TZS 90 per share. Juma store paid for the shares.

Use the information provided to prepare:

(i) Application and allotment account.
(v) 1st call account.
(vi) 2nd call and final account
(vii) Forfeiture account
(viii) Re-issue account
(ix) Share premium
(x) Bank account
(xi) Ordinary share capital account

7. Leila, Kimaro and Lema studied Bachelor of Account and Finance with ICT at Institute of Finance Management (IFM) from 20111 to 2014. After struggling to seek employment in different companies without success, they came up with a concept of establishing a joint business of partnership firm in 2015 whereas Leila, Kimaro and Lema were equal partners in a firm. Their statement of financial position as on 31st March 2021 was as follows:

Leila, Kimaro and Lema

Statement of financial position as on 31st March 2021

Assets	TZS	TZS
Non current Assets		
Building	400,000	
Machinery	400,000	
Furniture and Fixtures	160,000	960,000
Current Assets		
Stock	160,000	
Debtors	200,000	
Cash at bank	10,000	
Kimaro's capital overdrawn	130,000	500,000
TOTAL ASSETS		1,460,000
Equity and liabilities		
Leila's capital	160,000	
Lema's capital	100,000	
Laila's loan	200,000	
Creditors	1,000,000	
TOTAL EQUITY & LIABILITIES		1,460,000

Despite making good profits during the recent years, the firm had become increasingly dependent on one credit customer called Kilawe. It has been discovered that Kilawe is insolvent and that he is unlikely to repay any of the money owed by him to the partnership.

The firm was dissolved as all partners were declared insolvent. The assets were realized as under Debtors 45% Building TZS 160,000, stock TZS 100,000, machinery TZS

200,000 and furniture & fixture TZS 40,000. Realization expenses were TZS 10,000. The private assets and private liabilities of the partners were as follows:

Partner	Private Assets	Private Liabilities
Leila	250,000	250,000
Kimaro	200,000	180,000
Lema	230,000	250,000

You are required to prepare:

(a) Realization account
(b) Bank Account
(c) Creditors account
(d) Partners' capital account
(e) Deficiency account

8. (a) Sweden cotton mills Ltd takes a periodic inventory of their stocks on chemical Y at the end of each month. The Physical inventory taken on June 30th shows a balance of 1000 litres of chemical Y in hand @ TZS 2280 per litre. The following purchases were made during the month of July.

July	1st	14000	Litres	@	2300
July	8th	10,000	Litres	@	2320
July	9th	20,000	Litres	@	2330
July	25th	5,000	Litres	@	2350

A physical inventory on July 31st discloses that there is a stock of 10,000 litres.

You are required to compute the inventory value on July 31st by each of the following methods

(i) First in First out

(ii) Last in First out

(iii) Average costs method

(b) On 1st January 2016, Olivera Co Patentee of a new type of article required in Engineering concern issued a license to Swai Co for 5 years for the manufacture and sales of the article on the following terms and conditions.

(a) Royalty of 5000 article manufactured.

(b) Minimum rent of TZS 5,000,000 per annum.

(c) Recoupment of short working out of royalties in excess of minimum rent during the two years immediately following subject to a maximum of TZS 2,000,000.

(d) Accounts were to be settled annually on 31st December.

The number of articles manufactured for the five years was as follows:

Year	**Numbers**
2016	100
2017	1100
2018	2600
2019	400
2020	2200

You are required to show the following:

(i) Royalties Account

(ii) Short workings Account

(iii) Olivera Co's Account in the books of Swai Co.

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