

**CHRISTIAN SOCIAL SERVICES COMMISSION (CSSC)
NORTHERN ZONE JOINT EXAMINATIONS SYNDICATE (NZ-JES)**



FORM SIX PRE – NATIONAL EXAMINATION 2025

153/1 ACCOUNTANCY 1

MARKING GUIDE

SECTION A (40 Marks)

1. Application of accounting principles in the preparation of financial statements:-

(i) Accounting period concept

-The concept states, "The life of business is divided into appropriate intervals or part or segments for analyzing the results of the business."

When preparing financial statements this principle is useful because the financial statements to be prepared pertain to the twelve months the business has been operating. With this principle and the matching and accrual concept expenses incurred are matched with the revenue generated in the year. It helps to know the results of the business for one year i.e. one accounting period. ✓

(ii) Going concern concept

-This concept requires that, "Once the business starts operating, it should not come to an end in the near future i.e. it should continue to operate indefinitely."

-With this concept the Business transactions are recorded on the assumption that the business will continue to exist for a long period of time.

-It helps to distinguish assets and expenses as permanent and temporary accounts whereas permanent accounts are shown in the statement of financial position while temporary accounts are shown in the income statement. ✓

(iii) Consistency convention

The principle states, "Once an accounting practice, method or procedure is adopted it should remain being used from one year to another to enable comparison of the results of different years."

-This concept helps to measure the results of different years by making sure that the methods used in one year are constantly applied for a long period of time. Example, if the depreciation method adopted is the straight line method then it should be used for more than one accounting period to enable comparison. If the stock valuation method is the lower of cost and market value, it should be applied consistently. ✓

(iv) Accrual concept

-The concept states, "Revenue is recognized when sales occur than when cash is actually received and expenses are recognized when they occur than when they are actually paid."

-This concept helps to know the amount of expenses and revenue to be shown in the income statement example, profit is the difference between revenue and expenses rather than the difference between cash received and cash paid.

-Accrual basis of accounting is fundamental to the usefulness of the financial accounting information. It requires that all adjusting entries for expenses and revenue should be made. ✓

4 items @ 2.5 = 10 Marks

2. HALLO Ltd

DEPRECIATION EXPENSES TABLE ✓

ASSET TYPE	D.O.P	COST	SLM		RBM		DISPOSAL
			2017	2018	2019	2020	
Plant	1.7.2017	20,000,000	1,000,000✓	2,000,000✓	2,550,000✓	1,083,750✓	6,633,750✓

DR		PLANT ACCOUNT		CR	
01.01.2019 Balance b/d		<u>20,000,000</u> ✓		31.12.2019 Balance c/d	<u>20,000,000</u> ✓
01.01.2020 Balance b/d		<u>20,000,000</u> ✓		01.07.2020 Disposal	<u>20,000,000</u> ✓

DR		PROVISION FOR DEPRECIATION ACCOUNT		CR	
				01.01.2019 Balance b/d	3,000,000✓
31.12.2019 Balance c/d		<u>5,550,000</u> ✓		31.12.2019 Income statement	2,550,000✓
		<u>5,550,000</u>			<u>5,550,000</u>
				01.01.2020 Balance b/d	5,550,000✓
01.07.2020 Disposal		<u>6,633,750</u> ✓		31.12.2020 Income statement	1,083,750✓
		<u>6,633,750</u>			<u>6,633,750</u>

DR		PLANT ACCOUNT		CR	
01.07.2020 Plant		<u>20,000,000</u> ✓		01.07.2020 Provision	6,633,750✓
				01.07.2020 Cash	12,000,000✓
				31.12.2020 Income statement	1,366,250✓
		<u>20,000,000</u>			<u>20,000,000</u>

20 items @ 0.5 = 10 Marks

3.

MAUMIVU LTD
JOURNAL PROPER

S/N	DETAILS	DR	TZS	CR	TZS
(i)	Discount allowed A/C DR Discount received A/C DR To Suspense A/C		76,000,000✓ 76,000,000✓		152,000,000✓
(ii)	Suspense A/C DR To Sales A/C		36,000,000✓		36,000,000✓
(iii)	Suspense A/C DR To Mr. Ben A/C		6,000,000✓		6,000,000✓
(iv)	Machinery A/C DR To Stock A/C		1,200,000,000✓		1,200,000,000✓
(v)	Rose A/C DR To Suspense A/C		265,000,000✓		265,000,000✓
(vi)	Petty cash (TB) DR To Suspense A/C		100,000,000✓		100,000,000✓

DR		SUSPENSE ACCOUNT		CR	
Sales		<u>36,000,000</u> ✓		Discount received	76,000,000✓
Mr. Ben		<u>6,000,000</u> ✓		Discount allowed	76,000,000✓
Balance b/d (Difference)		<u>475,000,000</u> ✓		Rose	265,000,000✓
				Petty cash	100,000,000✓
		<u>517,000,000</u>			<u>517,000,000</u>

20 items @ 0.5 = 10 Marks

4. SOLUTION

Alternative 1: Where a Bad debt is offset in the profit or loss account

DR BAD DEBTS ACCOUNT CR

31/12/2003	Debtors	<u>120,000</u>	31/12/2003	Profit or loss	<u>120,000</u>
31/12/2004	Debtors	<u>160,000</u>	31/12/2004	Profit or loss	<u>160,000</u>
31/12/2005	Debtors	<u>235,000</u>	31/12/2005	Profit or loss	<u>235,000</u>

DR			BAD DEBTS RECOVERY ACCOUNT			CR		
31/12/2004	Profit or loss	<u>35,000</u>	30/11/2004	Mrs. Maloma	<u>35,000</u>			
31/12/2005	Profit or loss	<u>15,000</u>	31/12/2005	Debtors	<u>15,000</u>			

Dr			PROVISION FOR BAD DEBTS ACCOUNT			CR		
31/12/2003	Balance	c/d	<u>200,000</u>	31/12/2003	Profit or loss	<u>200,000</u>		
31/12/2004	Balance	c/d	280,000	1/1/2004	Balance	b/d	200,000	
			<u>280,000</u>	31/12/2004	Profit or loss	<u>80,000</u>		
31/12/2005	Profit or loss		70,000			<u>280,000</u>		
31/12/2005	Balance	c/d	<u>210,000</u>	1/1/2005	Balance	b/d	280,000	
			<u>280,000</u>			<u>280,000</u>		
				1/1/2006	Balance	b/d	210,000	

STATEMENT OF PROFIT AND LOSS ACCOUNT

Revenues;			
2004: bad debts recovery			35,000
2005: bad debts recovered			15,000
Prov. For bad debts			70,000
Expenses			
2003 : Bad debts		120,000	
Prov. for bad debts		200,000	
2004: Bad debts	160,000		Prov. for bad debts 80,000
2005: Bad debts	235,000		

Alternative 2: Where a Bad debt is offset in the provision for doubtful debts account

DR PROVISION FOR BAD DEBTS ACCOUNT CR

31/12/2003	Bad debts		120,000	1/1/2003	Balance	b/d	-
31/12/2003	Balance	c/d	<u>200,000</u>	31/12/2003	Profit or loss		<u>320,000</u>
			<u>320,000</u>				<u>320,000</u>
31/12/2005	Bad debts		160,000	1/1/2004	Balance	b/d	200,000
31/12/2004	Balance	c/d	280,000	31/12/2005	Bad debts recovery		35,000
			<u>440,000</u>	31/12/2004	Profit or loss		<u>205,000</u>
31/12/2005	Bad debts		235,000				<u>440,000</u>
31/12/2005	Balance	c/d	<u>210,000</u>	1/1/2005	Balance	b/d	280,000
			<u>445,000</u>	31/12/2005	Bad debts recovery		15,000
				31/12/2005	Profit or loss		<u>150,000</u>
							<u>445,000</u>
				1/1/2006	Balance	b/d	210,000

STATEMENT OF PROFIT AND LOSS ACCOUNT

2003:	Prov. for bad debts	320,000
2004:	Prov. for bad debts	205,000
2005:	Prov. for bad debts	150,000

SECTION B (60 Marks)

5. Solution:

$$SP = CP + GP$$

$$125 = 100 + 25$$

$$CP/SP = 100/125 = 4/5$$

Dr		Branch Stock A/c		Cr	
	Base	Memo		Base	Memo
1/1/2000 Balance b/d	64,000	80,000	Goods sent to branch A/c	12,000	15,000
Goods sent to branch A/c	400,000	500,000	Branch Debtors A/c	450,000	450,000
Branch Debtors A/c	2,000	-			
Branch debtors A/c	30,000	30,000	Shortage	-	5,000
Branch profit and loss A/c	<u>78,000</u>	-	31/12/2000 Balance c/d	<u>112,000</u>	<u>140,000</u>
	<u>574,000</u>	<u>610,000</u>		<u>574,000</u>	<u>610,000</u>
1/1/2001 Balance c/d	112,000	140,000			

Dr		Branch Debtors A/c		Cr	
1/1/2001 Balance b/d		20,000	Branch cash A/c		395,000
Branch stock A/c		450,000	Branch profit and loss A/c (discount)		5,000
			Branch stock A/c (returns to branch)		30,000
			Goods sent to branch A/c (ret.to HO)		8,000
			Branch stock A/c (ret.to HO)		2,000
			31/12/2001 Balance c/d		<u>30,000</u>
		<u>470,000</u>			<u>470,000</u>
1/1/2002 Balance b/d		30,000			

Dr		Goods Sent to Branch A/c		Cr	
Branch stock A/c (returns)		12,000	Branch stock A/c		400,000
Branch Debtors A/c (Returns to HO)		8,000			
Trading A/c		<u>380,000</u>			
		<u>400,000</u>			<u>400,000</u>

Branch statement of Profit and Loss

Incomes;			
<i>Profit from branch</i>			78,000
<i>Expenses</i>			
Discount allowed		5,000	
Branch expenses		25,000	<u>30,000</u>
Net profit			<u>48,000</u>

6. VIWANJA ENTERPRISES

CALCULATION OF RATIOS

S/N	Formula	2020 TZS	2021 TZS
(a)	Gross profit margin = $\frac{\text{Gross profit}}{\text{Sales}} \times 100 \checkmark$	$\frac{25,760,000}{50,800,000} \times 100$ =50.7% \checkmark	$\frac{30,400,000}{59,200,000} \times 100$ =51.35% \checkmark
(b)	Net profit margin = $\frac{\text{Net profit}}{\text{Sales}} \times 100 \checkmark$	$\frac{4,800,000}{50,800,000} \times 100$ =9.45% \checkmark	$\frac{6,560,000}{59,200,000} \times 100$ =11.08% \checkmark
(c)	Return on capital employed = $\frac{\text{Net profit before interest \& tax}}{\text{Capital employed}} \times 100 \checkmark$	$\frac{5,280,000}{22,000,000} \times 100$ =24% \checkmark	$\frac{7,040,000}{26,560,000} \times 100$ =26.5% \checkmark
(d)	Acid test ratio = $\frac{\text{Current assets} - \text{Stock}}{\text{Current liabilities}} \checkmark$	$\frac{14,240,000 - 3,600,000}{3,440,000}$ =3.09:1 \checkmark	$\frac{15,040,000 - 6,560,000}{7,280,000}$ =1.16:1 \checkmark
(e)	Current ratio = $\frac{\text{Current assets}}{\text{Current liabilities}} \checkmark$	$\frac{14,280,000}{3,440,000}$ =4.15:1 \checkmark	$\frac{15,040,000}{7,280,000}$ =2.06:1 \checkmark
(f)	Stock turnover ratio = $\frac{\text{Cost of sales}}{\text{Average stock}} \checkmark$	$\frac{25,040,000}{3,600,000}$ =6.9 Times \checkmark	$\frac{28,800,000}{5,080,000}$ =5.9 Times \checkmark
(g)	Debtors collection days = $\frac{\text{Debtors}}{\text{Credit sales}} \times 365 \checkmark$	$\frac{5,200,000}{45,720,000} \times 365$ =41.51 Days \checkmark	$\frac{7,520,000}{53,280,000} \times 365$ =51.52 Days \checkmark
(h)	Earnings per share (EPS) = $\frac{\text{NPAT \& Preference dividend}}{\text{Number of ordinary shares}} \times 100 \checkmark$	$\frac{2,400,000}{6,000,000} \times 100$ =40% \checkmark	$\frac{3,360,000}{8,000,000} \times 100$ =42% \checkmark
(i)	P/E ratio = $\frac{\text{MPS}}{\text{EPS}} \times 100 \checkmark$	$\frac{0.4}{1.4} \times 100$ =28.57% \checkmark	$\frac{0.42}{1.6} \times 100$ =26.25% \checkmark
(j)	Interest coverage ratio = $\frac{\text{NPBIT}}{\text{Fixed interest charges}} \checkmark$	$\frac{5,280,000}{480,000}$ =11 Times \checkmark	$\frac{7,040,000}{480,000}$ =14.67 Times \checkmark

30 items @ 0.5 = 15 Marks

The first five ratios of the firm have the following implications for the two years:-

- (a) The gross profit margin of the firm in 2021 is 51.35% higher than the 50.7% in 2020, this may be due to improved sales strategy in 2021. \checkmark
- (b) The net profit margin of 11.08% in 2021 is higher than 9.45% in 2020, the firm's sales were higher in 2021 compared to 2020 leading to a higher net profit margin. \checkmark
- (c) Return on capital employed is 26.5% in 2021 is better than 24% of 2020. The improvement is due to higher profit earned in 2021. \checkmark
- (d) The liquidity in 2020 is higher than 2021 as the firm manager to cover its short term liabilities using the most liquid assets by 3.09:1 compared to 1.16:1 of 2021. \checkmark
- (e) The current ratio in 2020 is 4.15:1 compared to 2.06:1 in 2021. The liquidity position in 2020 is better compared to 2021. There has been fewer credit customers in 2020 compared to 2021 and the firm's credit purchases is higher in 2021 compared to 2020. \checkmark

5 items @ 1 = 5 Marks

15+5= 20 Marks

7. IN THE BOOKS OF BAHARI MODERN BUSINESS- BMB

DR		8% GOVERNMENT BONDS INVESTMENT ACCOUNT			CR		
	N	I	C		N	I	C
01.04.2021 Bank	1,200,000√	40,000√	926,000√	01.05.2021 Bank		48,000√	
01.10.2021 Investment 'c'		2,000√		01.10.2021 Bank	300,000√		243,000√
31.03.2023 Profit			13,500√	01.10.2021 Interest 'c'			2,000√
31.03.2022 SOPL		84,000√		01.11.2021 Bank		48,000√	
				31.03.2022 Bal- c/d	900,000√	30,000√	694,500√
	<u>1,200,000</u>	<u>126,000</u>	<u>939,500</u>		<u>1,200,000</u>	<u>126,000</u>	<u>939,500</u>
01.04.2022 Balance b/d	900,000√	30,000√	694,500√				

17 items @ 0.5=8.5 Marks

DR		EQUITY SHARES INVESTMENT ACCOUNT IN ZEZETA LTD			CR		
	N	I	C		N	I	C
12.04.2021 Bank	1,000,000√		4,000,000√	01.05.2021 Bank	1,250,000√		2,500,000√
15.05.2021 Bonus issue	1,500,000√			01.12.2021 Bank		225,000√	
31.03.2022 Profit			500,000√				
31.03.2022 SOPL		225,000√		31.03.2022 Bal- c/d	1,250,000√		2,000,000√
	<u>2,500,000</u>	<u>225,000</u>	<u>4,500,000</u>		<u>2,500,000</u>	<u>225,000</u>	<u>4,500,000</u>
01.04.2022 Bal- b/d	1,250,000√		2,000,000√				

12 items @ 0.5 = 6 Marks

DR		EQUITY SHARES INVESTMENT ACCOUNT IN KIMONDO LTD			CR		
	NO.	I	C		NO.	I	C
01.07.2021 Bank	50,000√		387,500√	01.01.2022 Bank			56,250√
31.03.2022 SOPL		62,500√		01.03.2022 Bank		62,500√	
				31.03.2022 Balance c/d	50,000√		331,250√
	<u>50,000</u>	<u>62,500</u>	<u>387,500</u>		<u>50,000</u>	<u>62,500</u>	<u>387,500</u>
01.04.2022 Balance b/d	50,000√		331,250√				

9 items @ 0.5 = 4.5 Marks

INVESTMENT IN BONDS-WORKINGS

1.4.2021 Purchase 1,200,000 × 80.5/100	= 966,000
Less: Interest accrued (1,200,000 × 8% × 5/12)	= 40,000
	= 926,000
1.5.2021 Interest received (1,200,000 × 8% × 6/12)	= 48,000
1.10.2021 Sale 300,000 × 81/100	= 243,000
Add: Interest accrued (300,000 × 8% × 1/12)	= 2,000
	= 245,000
Less: Cost of investment sold (300,000/1,200,000 × 926,000)	= 231,500
Profit	= 13,500
1.11.2021 Interest received (1,200,000 × 8% × 6/12)	= 48,000
31.03.2022 Interest accrued (900,000 × 8% × 5/12)	= 30,000

INVESTMENT IN EQUITY SHARES OF ZEZETA LTD-WORKINGS

Bonus issue:

$100,000 \times 3/2 = 150,000$ Shares with a nominal value of $150,000 \times 10 = 1,500,000$

Bonus shares sold $125,000 \times 20 = 2,500,000$

Cost bonus shares sold:

$1,250,000/2,500,000 \times 4,000,000 = 2,000,000$

Profit $(2,500,000 - 2,000,000) = 500,000$

1.12.2021 Dividend $(1,250,000 \times 18\%) = 225,000 \checkmark$

INVESTMENT IN EQUITY SHARES OF KIMONDO LTD-WORKINGS

Purchase $50,000 \times 7.75 = 387,500$

Right issue:

$50,000 \times 1/2 = 25,000$

Rights sold $25,000 \times 2.25 = 56,250$

Dividend $500,000 \times 12.5\% = 62,500 \checkmark$

2 items @ 0.5 = 1 Mark

17+12+9+2= 40 items @ 0.5 = (8.5+6+4.5+1)20 Marks

8. KIJANA MPOLE

INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH 2020

	TZS	TZS	TZS
Sales			67,500,000 \checkmark
Less: Return inwards			2,500,000 \checkmark
Net sales			65,000,000 \checkmark
Less: Cost of goods sold:			
Opening stock		7,500,000 \checkmark	
Add: Purchases	42,500,000 \checkmark		
Carriage inwards	1,000,000 \checkmark	43,500,000	
COGAS		51,000,000 \checkmark	
Less: Closing stock		12,000,000 \checkmark	39,000,000 \checkmark
Gross profit			26,000,000 \checkmark
Add: Discount received			400,000 \checkmark
			26,400,000
Less: Expenses:			
Carriage outwards		800,000 \checkmark	
Rent, rates and taxes		1,900,000 \checkmark	
Postage and courier expenses		900,000 \checkmark	
Insurance	450,000 \checkmark		
Less: Prepaid insurance	125,000 \checkmark	325,000 \checkmark	
Wages	11,500,000 \checkmark		
Add: Outstanding wages	750,000 \checkmark	12,250,000 \checkmark	
Provision for doubtful debts		300,000 \checkmark	
Bad debts		300,000 \checkmark	
Depreciation: Plant and Machinery		4,425,000 \checkmark	21,200,000 \checkmark
Net profit			5,200,000 \checkmark

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2020

Non-current assets:	TZS	TZS	TZS
Plant and Machinery	<u>22,500,000</u>	<u>4,425,000</u> √	<u>18,075,000</u> √
Current assets:			
Stock		12,000,000√	
Debtors	12,300,000√		
Less: New bad debts	300,000√		
Provision for doubtful debts	600,000√	11,400,000√	
Prepaid insurance		125,000√	
Cash at bank		10,250,000√	
Cash in hand		<u>3,100,000</u> √	<u>36,875,000</u>
			<u>54,950,000</u>
Capital			50,000,000√
Add: Net profit			5,200,000√
			55,200,000
Less: Drawings			12,000,000√
			43,200,000
Current liabilities:			
Sundry creditors		11,000,000√	
Wages outstanding		<u>750,000</u> √	<u>11,750,000</u>
			<u>54,950,000</u>

40 items @ 0.5 = 20 Marks

Hints:

- Calculation of depreciation:
 Balance $21,750,000 \times 20\% = 4,350,000$
 New $750,000 \times 20\% \times \frac{6}{12} = 75,000$
 Total depreciation = 4,425,000
- Wages
 -If wages stands alone, it is treated as a normal business expenses in the profit and loss section of the income statement.
 -If both salaries and wages are shown separately in the trial balance, the wages is shown in the trading section of the income statement.