

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



**FORM SIX PRE – NATIONAL EXAMINATION 2025**

**153/2**

**ACCOUNTANCY 2**

**MARKING SCHEME**

## SECTION A (40 Marks)

Answer **all** questions in this section. Each question carries **ten (10)** Marks.

1. Brief explanations on the following auditing documents:

(a) Audit report:

The audit report is prepared and submitted by the auditor to the shareholders or members of a company. This report is prepared by the auditor on the basis of his findings about the financial position of a company as shown in the financial statement. It means the audit report is the end product of the audit. The audit report reflects the opinion of the auditor about the financial information contained in the financial statements.

There are four types of audit reports, namely, Unqualified audit report; Qualified audit report; Negative/Adverse report; and Disclaimer audit report.

(b) Letter of management

This letter is written by the auditor to the management of a company towards the short comings and weakness in the company's internal control system. The auditor also suggests the steps which should be taken by the company to improve internal control system.

The management letter also provides a protection to the auditor in the case of an error or fraud due to these weaknesses.

(c) Letter of engagement

An Engagement letter is prepared by the Auditor before commencing a new audit. This letter is sent by the Auditor to his client for acceptance.

This letter written to determine the objectives and scope of audit, the extent or responsibilities of the auditor and to confirm any verbal arrangements between the Auditor and Client.

Such a letter minimizes the possibility of any misunderstanding between the auditor and client.

The engagement letter should be accepted by the client in writing.

(d) Letter of representation.

This letter is written by the management of a company to the auditor, it is required by the auditor in order to cover himself in the event of subsequent enquires regarding the audit work undertaken. It should be dated before the date of the audit report.

This letter should be on the company's own stationery and signed by the managing director. For example, the auditor may require that management should confirm in writing all items of assets and liabilities as at the Balance sheet date have been included in the financial statements.

**4 ticks @  $2\frac{1}{2}$  marks = 10 marks**

2. (a) Royalty table

Year	Output	Min. rent	Actual royalty @3,000 "000"	Short working "000"	Surplus	Recoupment "000"	Unrecouped "000"	Payment to landlord "000"
2014	200	10,000	6,000	4,000	-	-	-	10,000
2015	300	10,000	9,000	1,000	-	-	-	10,000
2016	400	10,000	12,000	-	2,000	2,000	-	10,000
2017	300	10,000	9,000	1,000	-	-	4,000	10,000
2018	350	10,000	10,500	-	500	-	-	10,500

(b)DR.

ROYALTY PAYABLE A/C

CR.

Details	Amount "000"	Details	Amount "000"
2014; landlord a/c	6,000	2014; inco. statement	6,000
2015; landlord a/c	9,000	2014; inco. statement	9,000
2016; landlord a/c	12,000	2015; inco. statement	12,000
2017; landlord a/c	9,000	2016; inco. statement	9,000
2018; landlord a/c	10,500	2017; inco. statement	10,500

3. Solution:

Dr		Bank Account		Cr	
Details	TZS	Details	TZS		
Application	450,000	Application	150,000		
Allotment	500,000	Balance <sup>c</sup> / <sub>f</sub>	1,200,000		
First call	250,000				
Second call	150,000				
	1,350,000				1,350,000
Balance <sup>b</sup> / <sub>f</sub>	1,200,000				

Dr		Ordinary Share Allotment Account		Cr	
Details	TZS	Details	TZS		
Share premium account	200,000	Bank account	500,000		
OSC	300,000				
	500,000				500,000

Dr		OSC Account		Cr	
Details	TZS	Details	TZS		
Balance <sup>c</sup> / <sub>f</sub>	1,000,000	Application	300,000		
		Allotment	300,000		
		First call	250,000		
		Second call	150,000		
	1,000,000				1,000,000
		Balance <sup>b</sup> / <sub>f</sub>	1,000,000		

Dr		Share Premium Account		Cr	
Details	TZS	Details	TZS		
Balance <sup>c</sup> / <sub>d</sub>	200,000	Allotment account	200,000		
		Balance <sup>b</sup> / <sub>f</sub>	200,000		

Extract Statement of Financial Position

Assets	TZS	TZS
Bank		1,200,000
<b>Liabilities</b>		
OSC	1,000,000	
Share premium	200,000	1,200,000

20 ticks @  $\frac{1}{2}$  marks = 10 marks

4. Frank Ironside Ltd.

Computation of the value of stock on 31<sup>st</sup> December 2019

Details	TZS	TZS
Stock disclosed as per books		180,250
Less: Goods received on consignment included in stock		<u>6,600</u>
		173,650
Add: Cost of sales from 1 <sup>st</sup> January to 7 <sup>th</sup> January:		
Goods sent on consignment: 12,500 x 100/125	10,000	
Goods sent to branch (4,200 – 700)	3,500	
Goods sold at loss – refer to net realizable	800	
Other goods (4,000 x $\frac{3}{4}$ )	3,000	<u>17,300</u>
		190,950
Less: Goods received in stores by 31 <sup>st</sup> December but not recorded in books		<u>2,000</u>
		188,950
Add: Cost of goods sold but not delivered: (2,800 x $\frac{3}{4}$ )		<u>2,100</u>
<b>Value of stock for balance sheet purposes</b>		<b>191,050</b>

10 ticks @ 1 marks = 10 marks

## SECTION B (60 Marks)

Answer **three (3)** questions in this section. Each question carries **twenty (20)** Marks.

5. Solution:

Given PR = TZS 200/= @, RR = TZS 150/= @, COR/IR = TZS 250/= @ VR = TZS100/= @

### CALCULATIONS:

$$\begin{aligned} \text{Hiring charges} &= (\text{IR} - \text{RR}) \times \text{Containers sent to customers} \\ &= (250 - 150) \times 26,000 \\ &= 2,600,000 \end{aligned}$$

Containers kept = Balance of containers in customers at start	16,000
Add: Containers charges to customers	<u>26,000</u>
	42,000
Less: Returnable container	<u>19,000</u>
	23,000
Less: Balance of container in customers at close	<u>14,000</u>
Containers kept	<u>9,000</u>

Dr				Cr			
Container Stock Account							
Details	Qty	Rate	Amount	Details	Qty	Rate	Amount
Balances <sup>b/£</sup>				Destroyed Scrapper	200	-	-
Warehouse	8,000	100	800,000	sold	100	-	400
Customers	16,000	100	1,600,000	Containers kept	9,000	150	1,350,000
Bank (P)	12,000	200	2,400,000	Hiring charges	-	-	2,600,000
Profit on deal	-	-	1,820,400	Balances <sup>c/£</sup>			
				Warehouse	12,700	100	1,270,000
				Customers	14,000	100	1,400,000
	36,000	-	6,620,400		36,000	-	6,620,400
Balances <sup>b/£</sup>							
Warehouse	12,700	100	1,270,000				
Customers	14,000	100	1,400,000				

Dr				Cr			
Container Suspense Account							
Details	Qty	Rate	Amount	Details	Qty	Rate	Amount
Returned	19,000	150	2,850,000	Balance <sup>b/£</sup>			
Container kept	9,000	150	1,350,000	Customer	16,000	150	2,400,000
Hiring charges	-	-	2,600,000	Container sent	26,000	250	6,500,000
Balance <sup>c/£</sup>							
Customers	14,000	150	2,100,000				
	42,000	-	8,900,000		34,000	-	8,900,000
				Balance <sup>b/£</sup>			
				Customers	14,000	150	2,100,000

**20 ticks @ 1 marks = 20 marks**

6. Workings:

**(a) Materials:**

January	= $\frac{81,600}{4}$	= 20,400	
November	= $\frac{78,400 \times 3}{4}$	= <u>58,800</u>	<u>79,200</u>
February	= $\frac{84,800}{4}$	= 21,200	
December	= $\frac{74,800 \times 3}{4}$	= <u>56,100</u>	<u>77,300</u>
March	= $\frac{93,600}{4}$	= 23,400	
January	= $\frac{81,600 \times 3}{4}$	= <u>61,200</u>	<u>84,600</u>
April	= $\frac{91,200}{4}$	= 22,800	
February	= $\frac{84,800 \times 3}{4}$	= <u>63,600</u>	<u>86,400</u>

**(b) Customers:**

December	= $\frac{402,600}{3}$	= 134,200	
November	= $\frac{398,400 \times 2}{3}$	= <u>265,600</u>	<u>399,800</u>
January	= $\frac{410,400}{3}$	= 136,800	
December	= $\frac{402,600 \times 2}{3}$	= <u>268,400</u>	<u>405,200</u>
February	= $\frac{423,600}{3}$	= 141,200	
January	= $\frac{410,400 \times 2}{3}$	= <u>273,600</u>	<u>414,800</u>
March	= $\frac{460,800}{3}$	= 153,600	
February	= $\frac{423,600 \times 2}{3}$	= <u>282,400</u>	<u>436,000</u>
			<u>9,600</u>

**(c) Sales – equipment April**

New equipment – March	$\frac{38,000}{2}$	= <u>19,000</u>
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**(d) Wages:**

• January: December	$\frac{15,900}{3}$	= 5,300	
January	$\frac{16,200 \times 2}{3}$	= <u>10,800</u>	<u>16,100</u>
• February: January	$\frac{16,200}{3}$	= 5,400	
February	$\frac{16,800 \times 2}{3}$	= <u>11,200</u>	<u>16,600</u>
• March: February	$\frac{16,800}{3}$	= 5,600	
March	$\frac{18,300 \times 2}{3}$	= <u>12,200</u>	<u>17,800</u>
• April: March	$\frac{18,300}{3}$	= 6,100	
April	$\frac{18,600 \times 2}{3}$	= <u>12,400</u>	<u>18,500</u>

(e) Overheads:

• January: December	265,200 – 50,000 = 215,200	
January	<u>50,000</u>	<u>265,200</u>
• February: January	273,600 – 50,000 = 223,600	
February	<u>50,000</u>	<u>273,600</u>
• March: February	282,400 – 50,000 = 232,400	
March	<u>50,000</u>	<u>282,400</u>
• April: March	306,700 – 50,000 = 256,700	
April	<u>50,000</u>	<u>306,700</u>

**CASH BUDGET TO 30<sup>TH</sup> APRIL, 2007**

Details	January	February	March	April
Cash balance/deficit at start	(10,600)	28,700	66,400	77,400
Add: Cash collection from customers	399,800	405,200	414,800	436,000
Sale of equipment	-	-	-	9,600
<b>Cash available</b>	<b>389,200</b>	<b>433,900</b>	<b>481,200</b>	<b>523,000</b>
Less: Payments:				
Materials	79,200	77,300	84,600	86,400
Equipment	-	-	19,000	-
Wages	16,100	16,600	17,800	18,500
Overheads	265,200	273,600	282,400	306,700
<b>Total payments</b>	<b>360,500</b>	<b>367,500</b>	<b>403,800</b>	<b>411,600</b>
<b>Balance/deficit at end</b>	<b>28,700</b>	<b>66,400</b>	<b>77,400</b>	<b>111,400</b>

40 ticks @  $\frac{1}{2}$  marks = 20 marks

7. Solution:

Workings:

$$\text{Teddy's share of Goodwill} = \frac{120,000 \times 2}{6} = \underline{40,000}$$

$$\text{Dr: Peter's capital} = \frac{40,000 \times 3}{5} = \underline{24,000}$$

$$\text{Dr: Miriam's Capital} = \frac{40,000 \times 2}{5} = \underline{16,000}$$

Distribution of capital carried forward:

$$\text{Peter's capital} = \frac{250,000 \times 3}{5} = \underline{150,000}$$

$$\text{Miriam's Capital} = \frac{250,000 \times 2}{5} = \underline{100,000}$$

Distribution of reserve:

$$\text{Peter's capital:} \quad \frac{60,000 \times 3}{6} = \underline{30,000}$$

$$\text{Teddy's capital:} \quad \frac{60,000 \times 2}{6} = \underline{20,000}$$

$$\text{Miriam's capital} \quad \frac{60,000 \times 1}{6} = \underline{10,000}$$

Dr		Revaluation Account		Cr	
Details	Amount	Details	Amount		
Plant	10,000	Expenses owing	5,000		
Capital accounts:		Patents	10,000		
Peter	2,500				
Teddy	1,667				
Miriam	833				
	15,000				15,000

Dr				Capital Account				Cr			
Details	Peter	Teddy	Miriam	Details	Peter	Teddy	Miriam				
Teddy's C.	24,000	-	16,000	Balance <sup>b</sup> / <sub>f</sub>	120,000	100,000	90,000				
Teddy's loan	-	161,667		Peter's C.	-	24,000	-				
Balance <sup>c</sup> / <sub>f</sub>	150,000	-	100,000	Miriam's C.	-	16,000	-				
				Revaluation	2,500	1,667	833				
				Reserve	30,000	20,000	10,000				
				Cash	21,500	-	15,167				
	174,000	161,667	116,000		174,000	161,667	116,000				
				Balance <sup>b</sup> / <sub>f</sub>	150,000	-	100,000				

Dr		Cash Account		Cr	
Details	Amount	Details	Amount		
Balance <sup>b</sup> / <sub>f</sub>	5,000	Balance <sup>c</sup> / <sub>f</sub>	41,667		
Peter's capital account	21,500				
Miriam's capital account	15,167				
	41,667		41,667		
Balance <sup>b</sup> / <sub>f</sub>	41,667				

Statement of Financial Position after Teddy's retirement

Details	TZS	TZS
Financed by:		
Capital Accounts:		
Peter	150,000	
Miriam	<u>100,000</u>	250,000
Non-Current Liabilities:		
Teddy's Loan		161,667
Current Liabilities		
Creditors	100,000	
Bills payable	50,000	
Expenses owing	15,000	165,000
		<b>576,667</b>
Non-Current Assets:		
Patents	40,000	
Plant	<u>290,000</u>	330,000
Current Assets		
Cash	41,667	
Stock	110,000	
Debtors	95,000	246,667
		<b>576,667</b>

40 ticks @  $\frac{1}{2}$  marks = 20 marks

8. Solution:

Salaries advice/slip

Name of the firm: Limao gardeners Ltd.

Month of July Year 2019

<i>Details</i>	<i>Sakina</i>	<i>William</i>	<i>Hilder</i>	<i>Peter</i>
Basic salary	300,000.00	450,000.00	250,000.00	480,000.00
Add: Allowances				
Meal	50,000.00	50,000.00	50,000.00	50,000.00
Transport	100,000.00	100,000.00	100,000.00	100,000.00
Gross pay	450,000.00	600,000.00	400,000.00	630,000.00
Less: Deductions:				
NSSF	30,000.00	45,000.00	25,000.00	48,000.00
PAYE TAX	41,000.00	81,500.00	41,250.00	89,600.00
SACCOS	15,000.00	22,500.00	12,500.00	24,000.00
NIC	20,000.00	-	-	-
Salary advance	-	40,000.00	-	-
Car loan	-	-	-	50,000.00
<b>Net pay</b>	<b>344,000.00</b>	<b>411,000.00</b>	<b>321,250.00</b>	<b>418,400.00</b>

Limao gardeners Ltd.

Workings:

Taxable & tax amount

$$\begin{aligned} \text{Sakina} &= 450,000 - 30,000 \\ &= \underline{420,000.00} \end{aligned}$$

$$\begin{aligned} \text{Tax} &= 35,000 + (20,000 \times 30\%) \\ &= 35,000 + 6,000 \\ &= \underline{41,000.00} \end{aligned}$$

$$\begin{aligned} \text{William} &= 600,000 - 45,000 \\ &= \underline{555,000.00} \end{aligned}$$

$$\begin{aligned} \text{Tax} &= 35,000 + (555,000 - 400,000) \times 30\% \\ &= 35,000 + (155,000 \times 30\%) \\ &= 35,000 + 46,500 \\ &= \underline{81,500.00} \end{aligned}$$

$$\begin{aligned} \text{Hilder} &= 400,000 - 25,000 \\ &= (375,000 - 100,000) \times 15\% \\ &= \underline{41,250.00} \end{aligned}$$

$$\begin{aligned} \text{Peter} &= 630,000 - 48,000 \\ &= \underline{582,000.00} \end{aligned}$$

$$\begin{aligned} \text{Tax} &= 35,000 + (582,000 - 400,000) \times 30\% \\ &= 35,000 + (182,000 \times 30\%) \\ &= 35,000 + 54,600 \\ &= \underline{89,600.00} \end{aligned}$$

40 ticks @  $00\frac{1}{2}$  marks