

***MAY 2019***  
***Q & A***



**ATEC**  
**LEVEL II**



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**EXAMINATION** : **ACCOUNTING TECHNICIAN LEVEL II**

**SUBJECT** : **PRINCIPLES OF ACCOUNTING AND AUDITING**

**CODE** : **T.05**

**EXAMINATION DATE** : **TUESDAY, 7<sup>TH</sup> MAY 2019**

**TIME ALLOWED** : **THREE HOURS (2:00 P.M. – 5:00 P.M.)**

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### **GENERAL INSTRUCTIONS**

1. There are **FOUR** questions in this paper.
  2. Answer **ALL FOUR** questions.
  3. Marks are shown at the end of each question.
  4. Show clearly all your workings in respective answers where applicable.
  5. This question paper comprises **7** printed pages.
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## QUESTION 1

- (a) For each of the following questions, choose the most correct answer among the four given alternatives. Indicate your answer by writing the appropriate letter **A, B, C** or **D** in your answer booklet.

- (i) Which of the following statement describes an invoice?
- A. A document produced by a purchaser detailing items purchased
  - B. A document produced by a seller detailing items sold on credit
  - C. A document produced by a seller following the return of goods
  - D. A document produced by a seller listing monthly transactions
- (ii) The following is a summary of the petty cash transactions for a week:

<b>Income</b>	<b>TZS."000"</b>	<b>Expenditure</b>	<b>TZS."000"</b>
Opening balance	500	Travelling expenses	150
Sale of stamps	10	Subsistence expenses	250
Sale of paper	50		

Petty cash is maintained using the imprest system.

What sum should be reclaimed by the cashier at the end of the week?

- A. TZS.150,000
  - B. TZS.340,000
  - C. TZS.400,000
  - D. TZS.500,000
- (iii) Which of the following is a purpose of an internal control system?
- A. To promote efficient operations
  - B. To urge adherence to company policies
  - C. To protect assets
  - D. To ensure reliable accounting
- (iv) The quick ratio is also known as the:
- A. Turnover ratio
  - B. Working capital ratio
  - C. Acid test ratio
  - D. Liquidity ratio
- (v) Why should accrued expenses be shown in the financial statements of a business?
- A. So that the correct total of current assets is shown in the statement of financial position
  - B. So that the total income of a period is matched against the total costs of that period
  - C. To show how much customers owe the business
  - D. To show the amount owed to credit suppliers

- (vi) Which of the following is **not** a liability?
- A. Accounts payable
  - B. Accounts receivable
  - C. Notes payable
  - D. Income taxes payable
- (vii) The issued share capital of DCM Limited consists of ordinary shares. The retained earnings were TZS.45,000,000 on 1<sup>st</sup> September 2016. These had increased to TZS.75,000,000 on 31<sup>st</sup> August 2017. The company earned a profit for the year of TZS.80,000,000.

What was the total ordinary share dividend for the year?

- A. TZS.30,000,000
- B. TZS.35,000,000
- C. TZS.45,000,000
- D. TZS.50,000,000

- (viii) Why does a trader compare his cash book with his bank statement?

To check for errors in the cash book      To ensure the cash book is up to date

- |    |     |     |
|----|-----|-----|
| A. | No  | No  |
| B. | No  | Yes |
| C. | Yes | No  |
| D. | Yes | Yes |

- (ix) The work in progress of a manufacturing business increased during the year. Which effect does this have?

On cost of production	On gross profit
A. Decrease	Increase
B. Decrease	No effect
C. Increase	Decrease
D. Increase	No effect

- (x) Malepo Limited has provided the following information.

	<b>TZS. "000"</b>
Issued and paid up share capital	200,000
General reserve	30,000
Retained earnings	15,000
10% debentures	20,000

What was the value of equity?

- A. TZS. 215,000,000
- B. TZS. 230,000,000
- C. TZS. 245,000,000
- D. TZS. 265,000,000

**(20 marks)**

- (b) For each of the statements given below, write whether it is true or false. Indicate your answer by writing **TRUE** if the statement is correct or **FALSE** if the statement is incorrect in your answer booklet.
- (i) It is on the basis of going concern concept that the assets are always valued at market value.
  - (ii) According to periodic matching of cost and revenue concept, a business man has not only to measure revenues in a particular accounting period but also has to calculate expenses which can be assigned in earning such revenues.
  - (iii) Entrance fees, if treated as non-recurring in nature, should be taken to the Income and Expenditure Account.
  - (iv) According to money measurement concept, the efficiency of the top management of the business must be clearly recorded in the book of accounts.
  - (v) Journal proper is used for recording only those transactions that cannot be recorded in any of the subsidiary books.

**(10 marks)**

- (c) Given the following items, you are required to pair each item from **LIST A** with the statement from **LIST B** appropriately. In pairing the items with statements, write the letter from list **B** against the corresponding roman number in list **A** in your answer booklet.

**LIST A:**

- A. Profit from disposal
- B. Current asset
- C. Accounting softwares
- D. Subscription from members
- E. IAS 8

**LIST B:**

- A. Main source of income of club organization
- B. Change in an accounting policy
- C. An excess of cash proceeds over carrying value of non-current asset
- D. Rent income outstanding
- E. Tall and SAGE
- F. Ms excel and Ms Word
- G. Property Plant and Equipment (PPE)

**(10 marks)**

**(Total: 40 marks)**



## QUESTION 2

- (a) When the trial balance of Maumivu Ltd as at 30<sup>th</sup> September 2018 was prepared, a difference was found. A suspense Account was created in order to accommodate the balance:

Examination of the books showed the following:

1. Discount allowed of TZS.76,000,000 had been credited to the Discount Received Account.
2. A sale of TZS.151,000,000 to Mr. Allan had been posted correctly to the personal account but entered in the Sales Day Book as TZS.115,000,000
3. A cheque received from Mr. Ben entered correctly in the Cash Book as TZS.766,000,000 had been posted to the company's account as TZS.760,000,000
4. The purchase of new machinery for TZS.1,200,000,000 had been posted to the Stock Account. Depreciation is ignored for the year in which the machinery is purchased.
5. A sale of TZS.265,000,000 to Mr. Charles had not been posted to his account.
6. A petty cash balance of TZS.100,000,000 was omitted from the trial balance.
7. Bank interest charges of TZS.720,000,000 were correctly entered in the Cash Book but the other side of the double entry had been omitted.

### REQUIRED:

- (i) Prepare Journal entries to correct the above errors, without narrations. **(6 marks)**
  - (ii) Prepare a Suspense Account. **(4 marks)**
- (b) The following details were taken from the books of Makubaliano Ltd.
- 01/01/2016; Buildings at cost amounted to TZS.650,000,000  
01/01/2016: The balance in the provision for depreciation account was TZS.56,000,000  
01/06/2016: Purchased a building for TZS.120,000,000  
01/07/2016: Sold a building for TZS.85,000,000 which cost TZS.100,000,000. The book value of this building on 01/07/2016 was TZS.60,000,000  
31/12/2017: The total depreciation for the year ended 31<sup>st</sup> December 2016 was TZS.32,000,000  
01/01/2017: The buildings were revalued at TZS.750,000,000  
31/12/2017: Provide for depreciation at the rate of 3% of the value of the buildings on 1<sup>st</sup> January 2017

**REQUIRED:**

Prepare:

- (i) Buildings account for the two years 2016 and 2017. **(3 marks)**
  - (ii) Provision for depreciation account for the two years 2016 and 2017. **(3 marks)**
  - (iii) Buildings disposal account for the year ended 31<sup>st</sup> December 2016. **(2 marks)**
  - (iv) Revaluation reserve account. **(2 marks)**
- (Total: 20 marks)**

**QUESTION 3**

- (a) Kilimo Plc Stores, whose financial year ended on 31<sup>st</sup> March 2018, took stock on 26<sup>th</sup> March 2018. The stock on that date was valued at cost TZS.64,670,000. Kilimo added 25% on cost to obtain the selling price in the year ended 31<sup>st</sup> March 2018.

Between 26<sup>th</sup> March and 31<sup>st</sup> March 2018, the following transactions took place:

	<b>TZS."000"</b>
Goods purchased	2,830
Credit sales	2,120
Cash sales	1,320
Goods returned by customers, taken back into stock	180
Goods, purchased prior to 26 <sup>th</sup> March 2018 returned to supplier	450

**REQUIRED:**

- (i) Prepare a statement showing the adjusted value of Kilimo stock at 31<sup>st</sup> March 2018. **(8 marks)**
  - (ii) If at a later date, Kilimo Stores learned that an item of stock purchased for TZS.3,000,000 now had a realizable value of TZS.2,500,000 how would this affect a subsequent stock valuation? **(4 marks)**
- (b) Maonyesho business premises were broken on 20<sup>th</sup> June 2018. Damage to the premises was TZS.4,600,000 and stock was stolen. Records showed a stock of TZS.68,200,000 (at cost) at 1<sup>st</sup> April 2018 and purchases of TZS.184,300,000 at cost during the period 1<sup>st</sup> April – 20<sup>th</sup> June 2018. Sales during the period 1<sup>st</sup> April 20<sup>th</sup> June 2018 were TZS.252,800,000. The mark-up on cost of goods for sale is 33 <sup>1</sup>/<sub>3</sub>%.

The insurance policy covered Maonyesho for both loss of stock and damage to premises though Maonyesho had agreed to pay the first TZS.500,000 of damage to premises.

**REQUIRED:**

Prepare a statement showing the calculation for the insurance claim which Maonyesho would submit. **(8 marks)**

**(Total: 20 marks)**

**QUESTION 4**

- (a) Kocha consultants is an external auditor of ABC Company Ltd. The working paper is one of tools used by Kocha consultant auditors during audit assignment to collect audit evidence for forming audit opinion.

**REQUIRED:**

- (i) Define audit working papers and explain their objectives. **(4 marks)**
- (ii) Explain any three types of audit that you know. **(3 marks)**
- (iii) Explain four methods of obtaining audit evidence for use in an audit. **(4 marks)**
- (b) (i) Briefly describe the quality of a person who can be appointed as auditor. **(2 marks)**
- (ii) Define a 'letter of engagement' and briefly discuss its contents. **(4 marks)**
- (iii) Outline the rights of the auditor according to the Tanzania Companies Act 2002. **(3 marks)**

**(Total: 20 marks)**



**EXAMINATION** : **ACCOUNTING TECHNICIAN LEVEL II**  
**SUBJECT** : **PRINCIPLES OF COST ACCOUNTING  
AND PROCUREMENT**  
**CODE** : **T.06**  
**EXAMINATION DATE** : **WEDNESDAY, 8<sup>TH</sup> MAY 2019**  
**TIME ALLOWED** : **THREE HOURS (9:00 A.M. – 12:00 NOON)**

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**GENERAL INSTRUCTIONS**

1. This paper comprises **FOUR** questions.
  2. Answer **ALL FOUR** questions.
  3. Marks are shown at the end of each question.
  4. Show clearly all your workings in the respective answers where applicable.
  5. This question paper comprises **7** printed pages.
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## QUESTION 1

- (a) For each of the questions given below, choose the most correct answer among the four given alternatives. Indicate your answer by writing the appropriate letter **A**, **B**, **C** or **D** in your answer booklet.
- (i) The cost expended in the past that cannot be retrieved on product of service is called.
- A. Relevant cost
  - B. Sunk cost
  - C. Product cost
  - D. Irrelevant cost
- (ii) Which of the following statements relating to cost behaviour is true?
- A. In the short-term, total variable costs are not linear and unit variable cost is variable.
  - B. Total fixed costs remain constant over wide ranges of activity and unit fixed costs decrease proportionally with the level of activity
  - C. Typically, semi-fixed costs include both a fixed and variable element
  - D. It is not possible to split semi-variable costs into fixed and variable components.
- (iii) Which of the following labour records may be used to allocate costs to the various cost units in a factory?
- |    |                        |
|----|------------------------|
| 1. | Employee record card   |
| 2. | Attendance record card |
| 3. | Time sheet             |
| 4. | Job card               |
- A. 1 and 2
  - B. 1, 3 and 4
  - C. 2 and 3
  - D. 3 and 4
- (iv) In relation to the valuation of inventory and material issues to production, which of the following statements is true?
- A. During inflationary periods, cost of sales calculated using LIFO is lower than that calculated using FIFO or the Weighted Average Cost methods
  - B. During inflationary periods, closing inventory calculated using FIFO is valued at the lowest prices.
  - C. During inflationary period, cost of sales calculated using FIFO is lower than that calculated using LIFO or the Weighted Average Cost methods.
  - D. During inflationary periods, closing inventory calculated using LIFO is valued at the highest prices.

- (v) Under periodic inventory system purchase of inventory is treated as:
- assets
  - expense
  - income
  - liability
- (vi) Which of the following is not a use of budgetary control?
- To define the objectives of the organization as a whole
  - To ensure that resources are used as efficiently as possible
  - To provide some central control when activities are centralized
  - To provide the basis for the preparation of future budgets
- (vii) The economic order quantity is the order which results in:
- the lower cost of ordering inventory
  - the highest discount from suppliers
  - the lowest combined total costs of ordering and holding inventory
  - the lowest cost of holding inventory
- (viii) A decision maker using the maximum decision criterion will:
- assume that uncertainty can be ignored and will select the option with the highest expected value
  - assume that he/she will regret not having selected another option and will therefore minimize the possible regret under this assumption
  - assume that the worst outcome will occur and will select the option that will give the highest return from the worst outcome possible under each option
  - assume that the best outcome will occur and will select the option that will give the highest return from the best outcome possible under each option
- (ix) The following extract is taken from the overhead budget of Mkulima Enterprises:

Budgeted activity	50%	75%
Budgeted overhead	TZS.100,000	TZS.112,500

The overhead budget for an activity level of 80% would be

- TZS.115,000
- TZS.120,000
- TZS.136,000
- TZS.160,000

- (x) Which of the following statements measures the health or state affairs of the entity on particular time?
- A. Statement of income
  - B. Statement of financial position
  - C. Statement of Cash Flow
  - D. Statement of Retained Earnings

(20 marks)

- (b) For each of the following statements, state whether the statement is true or false. Indicate your answer by writing “TRUE” for the correct statement and “FALSE” for the incorrect statement in your answer booklet.

- (i) Organizations which adopt environmental cost management principles are more likely to identify and take advantage of cost reduction and other improvement opportunities.
- (ii) Management accountants use techniques such as break-even analysis to help predict the activity levels required to ensure a profit is achieved.
- (iii) In accounting of joint products under market value methods joints costs will be apportioned to the products in the ratio of sale price of the respective individual products.
- (iv) Absorption costing increases the possibility of underpricing.
- (v) Budgetary control becomes more effective in a business with the use of standard costing.

(10 marks)

- (c) Given the following items, you are required to pair each item from **LIST A** with the item from **LIST B** appropriately. In pairing the items, write the letter from list **B** against the corresponding Roman number in list **A** in your answer booklet.

**LIST A:**

- (i) By product cost accounting
- (ii) Brick making
- (iii) Merit rating
- (iv) Angle of incidence
- (v) Supervisor salaries

**LIST B:**

- A. Techniques for cost reduction
- B. Indicator of profit earning capacity
- C. Example of sloped cost
- D. Single output costing
- E. Basis for remunerating employees
- F. Basics for determining material costs
- G. Example of variable cost

(10 marks)

(Total: 40 Marks)

## QUESTION 2

- (a) Write short notes on the following items:
- (i) Management information systems.
  - (ii) ABC Analysis

**(2 marks)**

- (b) In year 2018, the actual production and sales of Mahali Household manufacturing Company was 75,000 thermos flasks. This was 75% of its normal production capacity and it incurred a total cost of TZS.1,375,000,000.

The Company's study has shown that it can double its sales in the year 2019 to meet the customers demand. In order to meet the demand, the Company has to increase its capacity. By doing so the Company's fixed production costs will increase by TZS.250,000,000. At this level the total production cost incurred will be TZS.2,375,000,000

### REQUIRED:

Using high-low method calculate

- (i) The variable cost per unit **(3 marks)**
  - (ii) The total cost at an activity level of 120,000 units **(3 marks)**
- (c) The personal department of a Company gives you the following information regarding labour turnover.

No. of workers at the end of the year 2,000  
No. of workers at the end of the year 2,400  
No. of workers resigned 150  
No. of workers discharges 70  
No. of workers replaced due to quits and discharges 154

Additional workers employed 466

### REQUIRED:

Calculate labour turnover rate using different methods. **(6 marks)**

- (d) During one week Maulizo X manufactured 20,000 units. He received wage for a guaranteed 44 per hours week at the rate TZS.1,500 per hour. The time allowed to produce one unit is 18 minutes.

### REQUIRED:

Calculate Maulizo gross wages under each of the following methods of remunerating labour:

- (i) Time Rate:
- (ii) Piece Rate with Guaranteed Weekly Wages
- (iii) Halsey Premium Plan, 50% Bonus

**(6 marks)**

**(Total: 20 marks)**



### QUESTION 3

- (a) (i) Explain any three (3) objectives of a budgetary control (3 marks)
- (ii) The books and records of Majiko Manufacturing Company present the following data for the months of January and December 2018. Direct cost TZS.16,000 (160% of factory overhead). Cost of goods sold TZS.56,000.

**Inventory accounts showed these opening and closing balance:**

	<b>January 2018 (TZS.)</b>	<b>December 2018 (TZS.)</b>
Raw material	8,000	8,600
Work in progress	8,000	12,000
Finished goods	14,000	18,000
Selling expenses	3,400	
General and administration expenses	2,600	
Sales for the month	75,000	

#### **REQUIRED:**

Prepare a statement showing cost of goods manufactured and sold and profit earned. (6 marks)

- (b) Mafanikio Co. Limited is a manufacturer of soap powders and detergents. Each of the products moves through two stages bulk production and then packaging. In the year end 31<sup>st</sup> December 2018, Mafanikio Co. Ltd. incurred production overheads which it planned to allocate and apportion as follow between the two departments:

<b>COST</b>	<b>TZS.'000'</b>	<b>Allocation basis</b>
Factory building depreciation	5,670	Floor area
Factory rates	11,970	Floor area
Factory insurance	7,980	Floor area
Canteen costs	18,876	No. of employees
Supervisory salaries	29,480	No. of employees
Other indirect labour	18,275	Machinery net book value
Machinery depreciation	21,500	Machinery net book value
Cleaning	17,850	Floor area
Electricity	30,290	Actual
Building maintenance	5,040	Floor area
Total	166,931	

You are also given the following information for the overheads:

	<b>Total</b>	<b>Bulk production</b>	<b>Packaging</b>
Floor area	10,500 sq.m	6,000 sq.m	4,500 sq.m
Employees	22	10	12
Machinery NBV	215,000	146,000	69,000
Electricity (TZS.'000')	30,290	18,790	11,500

**REQUIRED:**

- (i) Explain why Mafanikio Co. Ltd. uses different allocation bases for different classes of overheads **(1 marks)**
  
  - (ii) Produce a schedule apportioning the overheads between the two departments of Mafanikio Co. Ltd. **(10 marks)**
- (Total: 20 marks)**

**QUESTION 4**

- (a) Today we hear more and more about the global economy. The world is shrinking, jobs are being outsourced overseas, and Procurement Managers deal with international markets to find the best deal on procuring finished goods, services and raw products for their Companies. But in all, the excitement about the global economy, emphasis on the local options has never been left behind. In many cases, Companies find that buying local has many benefits that far outweigh just buying for price overseas and can even be better priced right here locally.

**REQUIRED:**

Justify five arguments in favour of “local sourcing” in preference to “global sourcing”. **(5 marks)**

- (b) Discuss any five (5) external source of cost information. **(3 marks)**
  - (c) Describe five (5) challenges facing supply chain actors in managing inventory. **(5 marks)**
  - (d) Differentiate between “standardization” and “variety reduction”. **(4 marks)**
  - (e) Define the term “stock-taking”. **(1 marks)**
  - (f) Mention any four (4) merits of continuous stock taking **(2 marks)**
- (Total: 20 marks)**



**EXAMINATION** : **ACCOUNTING TECHNICIAN LEVEL II**

**SUBJECT** : **ELEMENTS OF COMMERCIAL  
KNOWLEDGE, MANAGEMENT PRACTICES  
AND TAXATION**

**CODE** : **T.07**

**EXAMINATION DATE** : **THURSDAY, 9<sup>TH</sup> MAY 2019**

**TIME ALLOWED** : **THREE HOURS (2:00 P.M. – 5:00 P.M.)**

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**GENERAL INSTRUCTIONS**

1. This paper comprises **FOUR** questions.
  2. Answer **ALL FOUR** questions.
  3. Marks are shown at the end of each question.
  4. Your answers should be brief, clear and neatly presented.
  5. This question paper comprises **5** printed pages.
- \_\_\_\_\_

## QUESTION 1

- (a) For each of the questions given below, choose the most correct answer among the four given alternatives. Indicate your answer by writing the appropriate letter **A**, **B**, **C** or **D** in your answer booklet.
- (i) An agreement enforceable by law for a consideration is known as:
- A. mutual agreement
  - B. a business contract
  - C. a void contract
  - D. avoidable contract
- (ii) A document showing details of the commodity shipped or transported and its local value which the receiver will have to pay is called:
- A. an invoice
  - B. a consignment note
  - C. delivery note
  - D. proforma invoice
- (iii) .....is a party to the bill of exchange who writes the bill and sends it to the debtor for acceptance.
- A. Creditor
  - B. Payee
  - C. Drawee
  - D. Drawer
- (iv) .....is an insurance principle stating that the insured can be compensated only if the occurrence of loss is directly concerned with the peril or the risk insured against.
- A. Subrogation
  - B. Indemnity
  - C. Uberrimae fidei
  - D. Proximate cause
- (v) The management system in which each functional department has its own staff to perform all activities, is referred to as:
- A. departmentalization
  - B. centralization
  - C. decentralization
  - D. span of control

- (vi) Payroll machines are sometimes named as:
- A. steel pay-masters
  - B. cheque writing machines
  - C. numbering machines
  - D. serial number machines
- (vii) A contract without consideration is:
- A. void
  - B. voidable
  - C. ultra vires
  - D. illegal
- (viii) Which of the following is not a valid contract?
- A. Jamal purchases a microwave on credit.
  - B. Mary booked tickets for a tour from a travelling agency.
  - C. Rex's father promised him a bike on his birthday.
  - D. Mrs. Williams signed an agreement to purchase a flat for TZS.30,000,000.
- (ix) An individual receives retirement payment from an approved retirement fund or royalty. It would be taxed under which category of income?
- A. Employment income
  - B. Business income
  - C. Investment income
  - D. Pension income
- (x) Which of the following is illegal and not permitted:
- A. Tax avoidance
  - B. Tax evasion
  - C. Minimizing the liability to tax
  - D. Utilization of tax loopholes

**(20 marks)**

- (b) For each of the following statements, state whether the statement is true or false. Indicate your answer by writing “TRUE” for the correct statement and “FALSE” for the incorrect statement in your answer booklet.
- (i) Consent may be discharged at the end, when rights and liabilities created are fulfilled.
  - (ii) A standard partnership is a contractual association of two or more persons.
  - (iii) Unlimited liability company is required to deliver copies of its annual accounts and report to the Registrar of Companies.
  - (iv) A Company limited by guarantee has shareholders other than members.
  - (v) The articles of association are set by the laws through internal management of the Company.

**(10 marks)**

- (c) Given the following items, you are required to pair each item from **LIST A** with the item from **LIST B** appropriately. In pairing the items, write the letter from list **B** against the corresponding roman number in list **A** in your answer booklet.

**LIST A**

- i. An instrument in writing contains unconditional order, signed by the marker directing a certain person to pay certain amount of money.
- ii. Directives given to the drawee bank, to pay the money only through a banker
- iii. It is a name at the back of the instrument with the intention to transfer the right in the instrument.
- iv. A person who is legally entitled to the possession of the negotiable instrument in his own name and to receive the amount thereof.
- v. It is the method that the tenders are only invited from selected suppliers.

**LIST B**

- A. restricted procurement
- B. holder of the cheque
- C. endorsement
- D. crossed cheque
- E. bills of exchange
- F. open procurement
- G. dishonoring of instrument
- H. promissory note
- I. cheque
- J. negotiable instruments
- K. public procurement

**(10 marks)**

**(Total: 40 marks)**

## QUESTION 2

Despite the fact that, “no consideration, no contract” there are cases where business contracts, even though not supported by consideration, are enforceable.

### REQUIRED:

- (a) State the meaning of “consideration” and “free consent”. (5 marks)
  - (b) Explain five exceptions to the rule “no consideration, no contract”. (12 marks)
  - (c) Mention three requirements for a person to be competent to contract. (3 marks)
- (Total: 20 marks)**

## QUESTION 3

- (a) Explain four ways in which the company can be liquidated. (4 marks)
  - (b) Examine five challenges facing SACCOS in Tanzania. (5 marks)
  - (c) Describe at least five necessary features of means of transport. (5 marks)
  - (d) Discuss any six (6) the importance of communication in a business organization. (6 marks)
- (Total: 20 marks)**

## QUESTION 4

- (a) Tanzania is importing more than it can offer in foreign markets. As a result, the value of its currency in terms of other currencies is depreciating dramatically.

### REQUIRED:

- (i) Examine any five causes of this unbalanced trade. (5 marks)
  - (ii) Discuss any four effects of importing more than exporting to the economy of the country. (8 marks)
- (b) Describe the essential principles of taxation. (7 marks)
- (Total: 20 marks)**



**EXAMINATION** : **ACCOUNTING TECHNICIAN LEVEL II**  
**SUBJECT** : **ACCOUNTING FOR PUBLIC SECTOR AND COOPERATIVES**  
**CODE** : **T.08**  
**EXAMINATION DATE** : **FRIDAY, 10<sup>TH</sup> MAY 2019**  
**TIME ALLOWED** : **THREE HOURS (2:00 P.M. – 5:00 P.M.)**

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**GENERAL INSTRUCTIONS**

1. There are **FOUR** questions in this paper.
  2. Answer **ALL FOUR** questions.
  3. Marks are shown at the end of each question.
  4. Show clearly all your workings in the respective answers where applicable.
  5. This question paper comprises **7** printed pages.
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## QUESTION 1

- (a) For each of the questions given below, choose the most correct answer among the four given alternatives. Indicate your answer by writing the appropriate letter **A**, **B**, **C** or **D** in your answer booklet.
- (i) The Integrated Financial Management System (IFMS) has been generated in order to:
- A. Link all the government paying stations to central government.
  - B. Make payments from the government account.
  - C. Receive revenues in the government account in form of taxes.
  - D. Create audit reports for management of the Consolidated Fund account.
- (ii) A feature of government accounting that provides for the ceiling or maximum amount an agency can spend or incur in the performance of its functions is:
- A. Budgeting accounting.
  - B. Responsibility accounting.
  - C. Obligation accounting.
  - D. Fund accounting.
- (iii) The appointment of an independent auditor for auditing the accounts of a cooperative society is normally made by:
- A. the Commissioner for Cooperative Societies
  - B. the members of a Cooperative society
  - C. the Registrar of Cooperative Societies
  - D. the Secretary General of Tanzania Federation of Cooperatives
- (iv) Funds can be divided into three classes for governmental accounting purposes:
- A. Governmental, Proprietary and Fiduciary Funds
  - B. Governmental, Fiduciary and General Funds
  - C. General, Proprietary and Governmental Funds
  - D. Fiduciary, Governmental and Consolidated Funds
- (v) Which of the following items is not an expenditure authority?
- A. Parliamentary Authority
  - B. Ministerial Authority
  - C. Presidential Authority
  - D. Civil Contingencies Fund Warrant
- (vi) Patronage Dividend is a cooperative accounting term for:
- A. Dividend income remaining after deduction of direct and indirect expenses
  - B. Dividend issued to the patrons of a cooperative society.
  - C. An amount of net surplus paid to members according to participation in producing the net surplus.
  - D. Portion of net surplus paid to members in proportion to amount of interest paid by them to the SACCOS on all loans in the preceding financial year.

- (vii) Under the modified accrual basis of accounting, gains or losses on disposal of fixed assets:
- A. are not recognized.
  - B. are recognized when the proceeds (cash) of the sale are received (on the installment basis)
  - C. are recognized only if there is a gain.
  - D. are recognized when the sale occurs, regardless of when the cash is collected.
- (viii) Why should the governmental entities use fund accounting?
- A. Fund accounting is required by law
  - B. Fund accounting is required by GAAP
  - C. Fund accounting promotes control and accountability over restricted resources
  - D. Fund accounting promotes better control over operating activities
- (ix) The Paymaster General of the United Republic of Tanzania also functions as:
- A. the Controller and Auditor General
  - B. the Accountant General
  - C. Regional Administrative Secretary
  - D. the Permanent Secretary to the Ministry of Finance and Planning
- (x) Every local authority has a general fund into which:
- A. all revenues that are not specifically allocated by law to a special fund are accounted for
  - B. all general development expenditures are accounted for
  - C. all revenues that are specifically allocated by law to a special fund are accounted for
  - D. all general recurrent expenditures are accounted for.

**(20 marks)**

- (b) Given the following items, you are required to pair each item from **LIST A** with the item from **LIST B** appropriately. In pairing the items, write the letter from list **B** against the corresponding Roman number in list **A** in your answer booklet.

**LIST “A”**

- (i) Accrual basis of accounting
- (ii) Accounting models
- (iii) Commitment accounting concept
- (iv) Warrant holder
- (v) Supplementary funds

**LIST “B”**

- A. A basis of accounting under which a transaction and other events are recognized when cash and cash equivalent is received or paid.
- B. Basic assumptions concepts, principles and procedures that determine the methods of recognizing, recording, measuring and reporting of the entity’s financial information transaction.
- C. A resorted to when there is an over expenditure in a vote during a financial year.
- D. It is in line with the matching concept as all the expenses and income pertaining to the period is recorded.
- E. The process of earmarking or setting aside funds in response to a purchase requisition.
- F. Institute internal checks through separation of roles in accounting.
- G. A guideline for financial accounting i.e. how a firm prepares and present its business income and expenses as well as its assets and liabilities.
- H. Collecting cash and cheques from people making payments.
- I. The additional amount needed that cannot be sourced in the form of reallocation or virement. **(10 marks)**

- (c) For each of the following statements, state whether the statement is true or false. Indicate your answer by writing “**TRUE**” for the correct statement and “**FALSE**” for the incorrect statement in your answer booklet.

- (i) Disturbance allowance is paid to an officer transferred in the public interest from one station to another
- (ii) Recurrent Expenditure Account is among the various bank accounts which are normally required under Treasury direction to be operated by each Ministry.
- (iii) The terms of reference of the Public Accounts Committee (PAC) are to examine the accounts, statements and the annual report of the CAG
- (iv) Voted expenditure are payments made out of public funds without the approval of the Controller and Auditor General (CAG).
- (v) The members who wish to establish a cooperative society need to submit an application to the Registrar through the Ward Secretary and the District Director. **(10 marks)**

**(Total : 40 marks)**

## QUESTION 2

- (a) All losses discovered shall be reported to the Accounting Officer upon receipt of the report of the loss or shortage. The Accounting Officer shall arrange for an investigation to be carried out. After investigating the loss, the Accounting Officer shall submit a signed report to the Accountant General with a copy to the Permanent Secretary and to the Controller and Auditor General (CAG).

### **REQUIRED:**

Explain the contents of the report prepared by the Accounting Officer on the loss. **(6 marks)**

- (b) Section 36 of Public Procurement Act, 2011 provides the functions and powers of the Accounting Officer.

### **REQUIRED:**

Explain any five (5) responsibilities of the Accounting Officer for the execution of the procurement process. **(5 marks)**

- (c) The Cooperative Societies Act, No. 20 of 2003 and the Cooperative Societies Rules of 2004 provide guidelines on establishing and running of cooperatives.

### **REQUIRED:**

- (i) What are functions of the Registrar specified in these guidelines? **(2 marks)**

- (ii) What are the main areas in which Cooperative Societies can be set up in Tanzania **(3 marks)**

- (d) A store officer may be re-deployed to another department or another station entirely. It could also be due to an officer taking annual or casual leave.

### **REQUIRED:**

Briefly explain the stores handing over procedures. **(4 marks)**

**(Total: 20 marks)**

### QUESTION 3

- (a) What do you understand by the following public sector terminologies?
- (i) Service potential **(2.5 marks)**
  - (ii) Value in use **(2.5 marks)**
- (b) Mention any five (5) sources of revenue for local government authorities. **(5 marks)**
- (c) The following ledger balances were obtained from the books of Waungwana District Council for the year ended 31<sup>st</sup> December 2017, with corresponding balances for the year ended 31<sup>st</sup> December 2016.

Particulars	31 <sup>st</sup> December 2016	31 <sup>st</sup> December 2017
	TZS.	TZS.
Surplus (Deficit) Account	85,730,575	157,987,950
Cash in hand	3,460,000	2,549,700
Revaluation Reserve	488,900,650	536,500,860
Land and Buildings	957,543,980	1,200,765,430
Debtors	36,098,450	83,765,000
Creditors	276,077,000	387,658,400
Plant and Motor Vehicle	187,000,765	245,876,230
Unclaimed salary	-	12,945,000
Cash at bank	23,586,000	27,945,670
Capital Reserve	356,980,970	465,809,820

#### REQUIRED:

Prepare Waungwana District Council Statement of Financial Position as at 31<sup>st</sup> December 2017. **(10 marks)**

**(Total: 20 marks)**

#### QUESTION 4

Sugar Development Corporation (SUDECO) is looking forward for increasing the production of sugar in view of the current shortage of the product in the country.

In an attempt to achieve this particular goal, efforts have been made to encourage/invite various companies/organizations (both local and foreign) to invest on sugar production projects.

#### REQUIRED:

- (a) Briefly explain the term “capital expenditure budget”. **(3 marks)**
  - (b) Identify any three important areas to be considered by the management of a particular organization in order to be satisfied that investment in such a project is worth undertaking **(9 marks)**
  - (c) Give reasons as to why the following two stages have to be undertaken as part of project appraisal;
    - (i) A detailed assessment before the project is undertaken. **(3 marks)**
    - (ii) The monitoring exercise while the project is being implemented. **(3 marks)**
  - (d) Identify the technical term whereby an investigation is undertaken to find out as to whether or not the project is performing in line with expectations. **(2 marks)**
- (Total: 20 marks)**



**SUGGESTED SOLUTIONS**  
**T05 – PRINCIPLES OF ACCOUNTING AND AUDITING**  
**MAY 2019**

**ANSWER 1**

- (a) (i) B (vi) B  
(ii) B (vii) D  
(iii) A (viii) D  
(iv) C (ix) A  
(v) B (x) C
- (b) (i) FALSE  
(ii) TRUE  
(iii) FALSE  
(iv) FALSE  
(v) TRUE
- (c) (i) C  
(ii) D  
(iii) E  
(iv) A  
(v) B

**ANSWER 2**

- (a) (i) **Journal Entries to Correct Errors – 30/09/2018**  
**(Without Narrations)**

<b>SN</b>	<b>PARTICULARS</b>	<b>DEBIT (TZS 000)</b>	<b>CREDIT (TZS 000)</b>
1.	Discount Received	76,000	
	Discount Allowed	76,000	
	Suspense		152,000
2.	Suspense	36,000	
	Sales		36,000
3.	Suspense	6,000	
	Mr B.		6,000
4.	Machinery	1,200,000	
	Stock		1,200,000
5.	Mr C.	265,000	
	Suspense		265,000
6.	Petty Cash	100,000	
	Suspense		100,000
7.	Bank Interest Charges	720,000	
	Suspense		720,000

(ii) **Suspense Account**

	<b>Debit (TZS.000)</b>		<b>Credit (TZS.000)</b>
30/9/18		30/9/18	
Difference as per Trial Balance	1,195,000	Discount Received	76,000
Mr B.	6,000	Discount Allowed	76,000
Sales	36,000	Mr C.	265,000
		Petty Cash	100,000
		Bank Int. Charges	720,000
	<b>1,237,000</b>		<b>1,237,000</b>

(b) (i) **Buildings Account** (TZS.000)

01/01/2016 Balance b/d	650,000	01/07/2016 Disposal	100,000
01/06/2016 Bank	<u>120,000</u>	31/12/2015 Balance c/d	<u>670,000</u>
	<u>770,000</u>		<u>770,000</u>
01/01/2017 Balance b/d	670,000	31/12/2016 Balance c/d	750,000
01/01/2017 Revaluation	<u>80,000</u>		
	<u>750,000</u>		<u>750,000</u>

(ii) **Provision for Depreciation on Buildings Account** (TZS.000)

01/07/2016 Disposal 100 – 60)	40,000	01/01/2016 Balance b/d	56,000
31/01/2017 Balance c/d	<u>48,000</u>	31/12/2016 P&L Dep.	<u>32,000</u>
	<u>88,000</u>		<u>88,000</u>
01/01/2017 Revaluation	48,000	01/01/2017 Balance b/d	48,000
31/12/2017 Balance c/d	<u>22,500</u>	01/01/2017 P&L Dep.	<u>22,500</u>
	<u>70,500</u>		<u>70,500</u>
		01/01/2017 Balance b/d	22,500

(iii) **Disposal of Buildings Account** (TZS.000)

01/07/2015 Buildings	100,000	01/07/2015 Bank	85,000
Profit on Disposal	<u>25,000</u>	Provision for Dep.	<u>40,000</u>
	<u>125,000</u>		<u>125,000</u>

(2 marks)

(iv) **Revaluation Reserve Account** (TZS.000)

Profit and Loss a/c	<u>128,000</u>	01/01/2016 Building	80,000
		01/01/2016 Prov. for Dep.	<u>48,000</u>
	<u>128,000</u>	Bal to Profit and Loss	<u>128,000</u>



**ANSWER 3**

- (a) (i) **Computation of Adjusted Value of Kilimo Plc Stores Stock at 31 March 2018**

	<b>TZS.000</b>	<b>TZS.000</b>
Balance of stock		64,670
<b>Add:</b> goods purchased	2,830	
Goods returns (100/125 x TZS.180,000)	144	2,974
<b>Less:</b> Sales		67,644
Credit sales (100/125 x TZS.2,120,000)	1,696	
Cash sales (100/125 x TZS.1,320,000)	1,056	
Goods returned to supplier	450	(3,202)
<b>Adjusted stock value</b>		<b>64,442</b>

- (ii) **Effect of the item realised at a price lower than cost on stock valuation**  
**Figures in TZS “000”**

Adjusted stock value	64,442
<b>Less:</b> Reduce in stock value (TZS.3mill. – TZS.2.5mill)	500
	63,942

- (b)

**MAONYESHO PREMISES**  
**CALCULATION FOR THE INSURANCE CLAIM**  
**Computation of Stock Loss**

			<b>TZS.</b>
Damaged Premises			4,600,000
Stock			
Opening 1/4/2018	68,200,000		
Purchase	184,300,00		
Available for sale		252,500,000	
Closing Stock/stock loss (Balance)		<u>62,900,000</u>	<u>62,900,000</u>
Cost of Sales (252,800,000 x $\frac{100}{133\frac{1}{3}}$ )		189,600,000	
Total loss of Premises and stock			67,500,000
Adjust for client accept to pay			<u>(500,000)</u>
<b>Total Insurance Claim submitted</b>			<b>67,000,000</b>

## ANSWER 4

(a) (i) **Definition**

Audit working papers, is also referred to as audit documentation. Audit documentation means the recording of audit procedures performed, relevant evidence obtained and the conclusions the auditor reached.

The objectives of audit working papers/audit documentation

- i. Facilitates adequate planning
- ii. Facilitate supervision and review of the audit work
- iii. Provide the basis of audit report
- iv. Allow discussion of audit findings with management
- v. Provide defence against negligence charges
- vi. Serves as guide for succeeding audit
- vii. Serves as a data bank

(ii) **Three types of audit**

**1. Internal audit**

This is an audit on behalf of the management to ensure that the existing internal controls are adequate and effective and each unit of the organization follows the policies and procedure as laid down by the top management. This is conducted by internal auditor, who is integral to the organization and provide ongoing assessment of all activities. On this type an assurance is given on the reliability and effectiveness of an organization's risk management, internal control and corporate Governance System.

**2. External audit**

This is performed by external auditor who is independent of the organization and provided an independent opinion on the organisation's financial statement. Primarily this audit is concerning with a review of the financial records to form an overall conclusion as to whether:

- i. The financial statement show true and fair view
- ii. The financial statements are prepared in accordance with acceptable accounting standards and policies, which have been consistently applied.
- iii. The regulation and statutory requirements are followed
- iv. Disclosures are made for all material matters.

**3. Statutory Audit**

This refers to the external audit as explained in (2) above. The purpose of this audit is to examine and express an independent opinion on the truth and fairness of the financial statements.

#### 4. **Non statutory Audit**

Non statutory audit is a process of review and verification of a company's business and it is not required by any law or statute. This type of audit is performed to identify the weakness of an organization which may hamper productivity and efficiency level of the business. It includes rreview engagement, agreed upon procedures, and compilations.

#### 5. **Operational Audit**

This is an audit of the major operational process of an organization; these are procurement, marketing, treasury and human resources management. In conduct of this audit various procedures are performed and measured in terms of efficiency, effectiveness and economy.

#### (iii) **The Method of obtaining evidence for use in auditing are:**

- Inspection of records, documents or physical assets.
- Observation of processes and procedures e.g. inventory counts
- External confirmation obtained in the form of a direct written response to the auditor from a third party
- Recalculation to confirm the numerical accuracy of documents or records
- Reperformance by the auditor of procedures or controls
- Analytical procedures and
- Enquiry of knowledgeable parties.

#### (b) (i) **Qualities of an auditor**

- An auditor should be professionally competent. This may be demonstrated by having the professional qualifications such as CPA (T) and registration with the professional body.
- An auditor should be independent. The auditor should not be independent but seem to be independent, i.e the independence of the mind and appearance. Independence is important aspect towards objectivity.
- An auditor should possess a high degree of integrity. This means an auditor should be honest in his professional dealings.
- An auditor should be someone with sound mind.

- (ii) The letter of engagement is an agreement between the auditor and the client for the conduct of the audit and related services. It spells out the statutory and professional duties of the auditor and also the responsibilities of the management in relation to the financial statements.

Its main purpose is to define clearly the extent of the auditor's responsibilities and so minimize the possibility of any misunderstanding between the client and the auditor.

### **Contents of the engagement letter**

- Statutory duties and responsibilities of the auditor as well as the negotiated duties.
- Scope of the audit which include the ascertainment of systems, evaluation of controls, evidence collection, reporting weaknesses to management and reporting to shareholders.
- Client and management responsibilities in respect with the financial statements and internal control systems.
- Audit fee to be charged and the billing arrangement.
- Other services which may be provided by the auditor.
- Management representations where appropriate.
- Frequency of reporting by the auditor and any other agreement between the client and auditor.

### **(iii) Rights of an Auditor**

- Right of access to records – the auditor has the right to access the company's books of account, records, vouchers and other documents necessary to collect evidence.
- Right of information and explanations – auditor can ask any of the officers or other persons associated with the company to provide information or explanations essential to discharge their duties effectively as an auditor.
- Right to receive resolutions - auditor has the right to receive a copy of any written resolution proposed and any further related to it in the same way as a member of the company.
- Right to attend the general meeting of the Company – the auditor has a right to attend the meeting of the company.
- Right to speak – auditor has a right to speak and to be heard at general meetings of the company on any matter which concerns him as an auditor.



**SUGGESTED SOLUTIONS**  
**T.06 - PRINCIPLES OF COST ACCOUNTING AND PROCUREMENT**  
**MAY 2019**

**ANSWER 1**

(a)

(i)	B
(ii)	B
(iii)	D
(iv)	C
(v)	B
(vi)	C
(vii)	C
(viii)	C
(ix)	A
(x)	B

(b)

(i)	TRUE
(ii)	TRUE
(iii)	TRUE
(iv)	TRUE
(v)	TRUE

(c)

(i)	D
(ii)	E
(iii)	A
(iv)	B
(v)	C

**ANSWER 2**

(a) **Short notes on the following items:**

1. **Management information systems (MIS)**  
Is a system that provides data and information to the managers in the form of reports, including exception reports of matters requiring action, analysis and other instruction to support the functions of planning and control as well as decision making and its various aspect such as analysis and modelling.
2. **ABC analysis** refers to method of stores control all the items of inventory is divided into three categories according to their ranking based on their value consumption pattern and frequency of replacement during a period such as Category A, B and C.

A - Items comprises a small volume of items of about 10% to 20% of total items

handled by the stores but required heavy capital investment of about 70% to 80% of total inventory volume

B - Items are relatively less important

C - Items account for almost 70% to 80% of entire volume of inventory but do not require much investment.

Example: Direct Material and Labour

(b) Using high-low method to calculate

(i) The variable cost per unit

Step in the fixed cost is TZS.250,000,000

Variable Cost per unit will be calculated by:

$$\frac{\text{Highest Total Cost} - \text{Step up} - \text{Lowest Total Cost}}{\text{Highest Units} - \text{Lowest Unit}}$$

$$\frac{2,375,000,000 - 250,000,000 - 1,375,000,000}{150,000 - 75,000}$$

$$\frac{750,000,000}{75,000}$$

= TZS.10,000 per unit

(ii) The total cost at an activity level of 75,000 units = TZS.1,375,000,000

Total Variable cost at an activity level of 75,000 units = 75,000 x 10,000

$$= 750,000,000$$

Fixed Cost = TZS.(1,375,000,000 – 750,000,000)

$$= \text{TZS.625,000,000}$$

Total cost at an activity level of 120,000 units = ?

Total Variable cost at an activity level of 120,000 units = 120,000 x 10,000

$$= 1,200,000,000$$

Note than there is a step – up at an activity level of 100,000 units (the full capacity)

$$\begin{aligned} \text{Total Cost} &= \text{Fixed Cost} + \text{step up} + \text{Variable cost} \\ &= \text{TZS.625,000,000} + 250,000,000 + \\ &\quad 1,200,000,000) \\ &= \text{TZS.2,075,000,000} \end{aligned}$$

**Alternative solution**

The difference between an Activity level of 150,000 units and 120,000 units is 30,000 units.

$$\begin{aligned} \text{The variable cost for 30,000 units} &= \text{TZS.10,000} \times 30,000 \\ &= 300,000,000 \end{aligned}$$

$$\begin{aligned} \text{Total cost at activity Level of 120,000 units} &= \text{TZS.2,375,000,000} - 300,000,000 \\ &= \text{TZS.2,075,000,000} \end{aligned}$$

(c) **Labour Turnover Rate under different methods**

**Working:** Average number of workers employed in the year:

$$= (2,000 + 2,400)/2 = 2,200$$

(i) **Separation Rate Method:**

Labour Turnover Rate =

$\frac{\text{Number of separation during the period} \times 100\%}{\text{Average Number of workers employed during the same period}}$

$$\frac{(150 + 70) \times 100\%}{2,200} = 10\%$$

(ii) **Replacement Rate Method**

Labour Turnover =

$\frac{\text{Number of replacement during the period} \times 100\%}{\text{Average number of workers employed during the same period}}$

$$\frac{154 \times 100\%}{2,200} = 7\%$$

(iii) **Flux Rate Method**

Labour Turnover Rate =

$\frac{\text{Number of separation} + \text{Number of replacements} + \text{Number of recruitment} \times 100\%}{\text{Average number of workers employed during the same period}}$

$$\frac{(150 + 70 + 154 + 466) \times 100}{2,200} = 3.8\%$$

(d) **Calculation of Gross Wages:**

(i) **Time Rate:** Total Earnings

$$= \text{Hours worked} \times \text{Rate per hours} = 44 \times \text{TZS.1,500} = \text{TZS.66,000}$$

(ii) **Piece rate with guaranteed weekly wages:**

Time allowed per unit = 18 minutes

$$\text{Standard production during one hour} = (60/18) = (10/3)$$

$$\text{Rate per hour} = \text{TZS.1,500} \times (10/3) = 450$$

$$\text{Total Earnings} = \text{Units produced} \times \text{Rate per unit} = 200 \times 450 = \text{TZS.90,000}$$

Since piece rate wages is more than time rate wages, the worker will get piece rate wages i.e. TZS.90,000

(iii) **Halsey Premium Plan, 50% Bonus:**

$$\text{Time allowed for actual production} = 200 \times (18/60) = 60 \text{ hours}$$

$$\text{Time taken for actual production} = 44 \text{ hours}$$

$$\text{Time saved} = 66 - 44 = 16 \text{ hours}$$

$$\text{Total Earnings} = (\text{Time taken} \times \text{Rate per hour} + 50\% (\text{Time saved} \times \text{Rate per hour}))$$

$$= (44 \times \text{TZS.1,500}) + 50\% (16 \times \text{TZS.1,500})$$

$$= \text{TZS.66,000} + \text{TZS.12,000} = \text{TZS.78,000}$$

**ANSWER 3**

(a) (i) **Three (3) objectives of budgetary control are**

- To formulate the policy of the business
- To coordinate the activities of the business in order to achieve a specific target
- To control each function so that the best possible results may be achieved

(ii) **Statement of cost of goods manufactured and sold and profit earned**

		Amount TZS. '000'	Amount TZS. '000'	Amount TZS. '000'
A	Sales			75,000
B	<b>Cost of goods sold:</b>			
	Raw material consumed			
	Opening stock	8,000		
	Purchase – (balancing figure)	<u>38,000</u>		
		<u>46,000</u>		
	Closing stock	(8,600)		
	Direct labour		38,000	
	<b>Prime cost</b>		<b><u>16,000</u></b>	
	Production overhead		54,000	
	Increase work in progress		<u>10,000</u>	
			64,000	
	Opening balance	8,000		



	Closing balance	(12,000)	<u>(4,000)</u>	
	Cost of production		60,000	
	Opening stock of finished goods		<u>14,000</u>	
	<b>Closing stock of available for sale</b>		<b>74,000</b>	
	Closing stock of finished goods		(18,000)	(56,000)
	<b>Gross profit (A – B)</b>			<b>19,000</b>
C	General and administrative expenses			(2,600)
D	Selling expenses			(3,400)
	<b>PROFIT</b>			<b>13,000</b>

### WORKING NOTES

Calculation of cost of materials consumed

	TZS. '000'	TZS. '000'
Cost of goods sold		56,000
<b>Add:</b> Increase in finished goods		
Opening stock	14,000	
Closing stock	18,000	<u>4,000</u>
		60,000
<b>Add:</b> Increase in work in progress		
Opening WIP	8,000	
Closing WIP	(12,000)	<u>4,000</u>
<b>Cost of production</b>		<b>64,000</b>
<b>Less:</b> direct labour	16,000	
Production overhead	10,000	26,000
<b>Cost of materials consumed</b>		<b>38,000</b>

- (b) (i) Mafanikio Co Ltd use of different allocation bases for the different classes of overheads render accurate allocation of overheads because different overheads are driven by different activities and cost drivers.

(ii) A schedule of apportionment of overheads

Costs	Basis	Total TZS. '000' (a + b + c)	Bulk productio n (b)	Packagin g (c)
Factory building depreciation	Floor area	5,670	3,240	2,430
Factory rates	Floor area	11,970	6,840	5,130
Factory insurance	Floor area	7,980	4,560	3,420
Canteen costs	No. of employees	18,876	8,580	10,296
Supervisory salaries	No. of employees	29,480	13,400	16,080
Other indirect labour	Machinery NBV	18,275	12,410	5,865
Machinery depreciation	Machinery NBV	21,500	14,600	6,900

Cleaning	Floor area	17,850	10,200	7,650
Electricity	Actual	30,290	18,790	11,500
Building maintenance	Floor area	5,040	2,880	2,160
<b>Total</b>		<b>166,931</b>	<b>95,500</b>	<b>71,431</b>

#### ANSWER 4

- (a) **Five arguments in favour of “local sourcing” in preference to “global sourcing”:**
1. Shorter supply chains are likely to be more agile and so more responsive to meeting customer requirements.
  2. There is likely to be an improved carbon footprint and so there will generally be better standards of sustainability.
  3. The sourcing process should be cheaper to create and to manage especially in situations where it may be difficult to obtain detailed information such as through carrying out a site visit.
  4. Generally Lower transaction costs which will be achieved as a result of easier documentation since there are many restrictions in importing on a global basis.
  5. Transportation costs should generally be lower as well as simpler logistics such as packaging, insurance and fuel costs.
  6. Currency exchange rate risks can be avoided providing more certainty of pricing arrangements and payment. The imposition of tariffs and other barriers to trade will be avoided.
  7. Better control of trade secrets and intellectual property since the monitoring of any breaches of these should be easier to encounter.
  8. Simpler language and cultural compatibility which will impact on all stages of the procurement process.
- (b) **Five (5) external source of cost information:**
- i. Customer feedback
  - ii. Trade associations and journal of the particular industry
  - iii. New papers, magazines and television (media)
  - iv. The internet
  - v. Survey/market research conducted for the organization by third parties.
  - vi. External consultants and auditors
- (c) **Five (5) challenges facing supply chain actors in managing inventory are:**
- (i) Uncertainty in demand and/or supply
  - (ii) Changing customer requirements

- (iii) Fragmentation of supply chain ownership
  - (iv) Conflicting objectives in the supply chain
  - (v) Conflicting objectives even within a single firm
- (d) **The difference between standardization and variety reduction**
- (i) Standardization deals with reducing a series of items all serving the same purpose to one item or a very few items. The term is common in public use
  - (ii) Variety reduction deals with reduction in a range of items that serve the same or similar purposes. The least profitable and those with least user appeal are removed. The term is more common in internal domain of the organization.
- (e) Stock-taking or “inventory checking” is the physical verification of the quantities and condition of items held in an inventory or warehouse. This is done to provide audit of existing stock. It is also the source of stock discrepancy information.
- (f) **Four (4) merits of continuous stock taking**
- (i) Continuous stock taking avoids the disruption caused by the large annual stock take.
  - (ii) Regular checking is likely to produce more accurate stock figures.
  - (iii) Discrepancies, losses, deterioration, etc. will be discovered earlier.
  - (iv) Stock figures for interim operating statements and profit and loss accounts are readily available.
  - (v) Better quality staff can be employed who will gain experience and expertise which would not be possible with annual stock taking.
  - (vi) The continuous presence of independent stock checkers may reduce pilferage and losses. Etc.





**SUGGESTED SOLUTIONS**  
**T.07 - ELEMENTS OF COMMERCIAL KNOWLEDGE,**  
**MANAGEMENT PRACTICES AND TAXATION**  
**MAY 2019**

**ANSWER 1**

- |     |       |   |        |   |
|-----|-------|---|--------|---|
| (a) | (i)   | B | (vi)   | A |
|     | (ii)  | A | (vii)  | A |
|     | (iii) | D | (viii) | C |
|     | (iv)  | D | (ix)   | C |
|     | (v)   | A | (x)    | B |
|     |       |   |        |   |
| (b) | (i)   | T |        |   |
|     | (ii)  | T |        |   |
|     | (iii) | F |        |   |
|     | (iv)  | F |        |   |
|     | (v)   | T |        |   |
|     |       |   |        |   |
| (c) | (i)   | I |        |   |
|     | (ii)  | E |        |   |
|     | (iii) | C |        |   |
|     | (iv)  | B |        |   |
|     | (v)   | A |        |   |

**ANSWER 2**

- (a) The meaning of consideration and free consent:

**Consideration.** This is the demand of the promisor as the price for his promise. It is “something in return” of the promisor for his promise. That something in return may be money, some benefit, right, interest or profit accruing to one party, or responsibility given. Thus, a person who makes a promise to do something usually does so as a return of equivalent of some loss, damage or inconvenience that may have been occasioned to the other party in respect of the promise. On the other hand, free consent is the free agreement of two or more parties upon the same thing in the same sense not caused by coercion, undue influence, fraud, misrepresentation or mistake. Free consent is one of the essentials of a valid contract.

- (b) There are some cases where contracts, even though not supported by consideration, are enforceable. The following are the exceptions to the rule “**no consideration, no contract**”:

- An agreement made without consideration is valid if it is expressed in writing and is registered under the law relating to registration of documents and is made an account of natural love and affection between parties standing in a near relation to each other.

- A promise without consideration is valid if it is a promise to compensate wholly or in part a person who has already voluntarily done something for the promisor or something the promisor was legally compellable to do.
  - A promise to pay wholly or in part a debt which is barred by the Limitation Act can be enforced if it is in writing and is signed by the debtor or his authorised agent.
  - The rule “no consideration, no contract” does not apply to completed gifts.
  - No consideration is required in the case of an agreement between a principal and an agent.
- (c) Any one cannot enter into a contract; he must be competent to contract according to the law. Every person is competent to contract if he:
- i. Is of the age of majority
  - ii. Is of sound mind, and
  - iii. Is not disqualified from contracting by any law to which he is subject.

### ANSWER 3

(a) **Four ways for company liquidation.**

The company terminates its career by its being what is called wind-up. During the process it is said to be liquidation. The following are the ways in which the company may wind-up:

- (i) **Voluntary by shareholders.** If the members wish to liquidate the company, the directors must prepare “Declaration of Solvency”. This document (declaration of solvency) states that the company has enough assets to pay off its debts.
  - (ii) **Creditors’ voluntary winding up.** This is the state taken up by the creditors to liquidate an insolvent company. This means that the assets of the company will not be sufficient to pay off the company liabilities.
  - (iii) **By the court of law.** A court of law orders a company to liquidate if it is satisfied that the company is unable to pay its accumulation of debts. Also, the company may be compulsorily wound up by the court of law if it doesn’t commence business within a year from its incorporation, and when the number of members falls below the minimal required by the law.
  - (iv) **Striking off the register.** The register may strike off the company from the register. This may take place when the registrar has reasonable ground for believing that the company is defunct.
- (b) Five challenges of SACCOS in Tanzania. The point should be relevant as suggested in this guide here below:

- (i) Many founders and managers of SACCOS in developing countries use the inefficient equipment as a result of lower level productivity delivery and substandard product quality.
  - (ii) Lack of initiative and administrative framework or linkage to support and sustainability of SACCOS' development which to a large extent is a reflection of poor technological capacity or intellectual resource. Sometimes there is also wide spread corruption, nepotism and harassment of SACCOS by some officers especially in rural areas.
  - (iii) SACCOS also lack access to funding /credits, which can be traceable due to the reluctance of banks to extend credit to them owing among others to poor and in adequate documentation of business proposals. Lack of appropriate and adequate collateral, high cost of administration and management of small loans as well as high interest rates. Commercial banks tend to SACCOS to have high risk of lending to especially start-ups.
  - (iv) Bureaucratic bottlenecks and inefficiency in the administration of incentives and support facilities provided by the government discourage innovations which may lead to new products or services, as most of these SACCOS cannot afford to establish the research and development.
  - (v) Due to the nature and environment in which SACCOS operate, there are inefficient and non-functional infrastructural facilities tend to increase the costs of operation as SACCOS are forced to resort to private.
  - (vi) Lack of education and skills among staff and clients. Members of SACCOS cannot tell what are their rights, obligation, roles and responsibilities.
- (c) Necessary features of good means of transport:
- (i) **A good transport system should be economical.** This means the cost of transport service should not be high so that the users can carry their products at lowest possible charges.
  - (ii) **Speed.** A good transport system should have proper speed in order to carry goods from one place to another at less time. Goods should reach the destination on time except from natural calamities or unavoidable reasons.
  - (iii) **Availability.** Transport services should be available regularly as and when the need arises and it must provide a safety of the goods.
  - (iv) **Insurance.** Transport system should provide for insuring the risks of loss or damage to goods in transit and assure payment of due compensation in case of delay causing loss to the owner of the goods.
  - (v) **Efficiency.** A good transport system should be operated by efficient and properly skilled persons so that they can handle the problems in emergency, if any.

- (d) The importance of communication in business.
- (i) **Unity.** A company that works so develop strong communication with each other is a united company. Each team member shares the same goals and everyone knows what their co-workers have on their plate. By simply keeping in touch on a regular basis, everyone remains united and working together.
  - (ii) **Feedback.** When communication is stressed, it creates an open environment where everyone feels comfortable talking with each other. When that level of comfort is present in a business, employees feel confident that they can express their ideas about the work process to each other and even to management. Feedback is a vital component of communication, and it works both ways. Management give feedback to the employees in regards to how well they're faring at their duties, and employees feel safe giving feedback on how well the company's policies and procedures are working. Communication is not communication if it only comes from one direction.
  - (iii) **Improves Customer Relationships.** No business would succeed without customers, and every company exists to serve them. Communicating with customers is every bit as important as communication within the workplace.
  - (iv) **Improves Employee Relationships.** No friendship is ever formed without a good level of communication. The more a company's employees communicate with each other, the closer they will become naturally over time. Bear in mind that much of communication takes place without the need for words, so it's important to master both verbal and non-verbal communication, both in the written form as well as body language.
  - (v) **Enforcing Rules.** Every business must have a code of policies and procedures that must be followed in order for everyone to succeed. Maybe there is a specific process for a task, for example, or maybe there are certain consequences for underperforming. Either way, you want to make all this very clear to your employees, or it isn't possible to do this without strong communication skills.

#### ANSWER 4

- (a)
- (i) Causes of unbalanced trade. The following are some of the reasons:
    - Unbalanced trade commonly known as "trade deficit". It is also, known as a trade gap. This occurs when a country does not produce everything it needs and borrows from foreign states to pay for the imports. It is a negative commercial trade balance occurs when a nation imports more products and services than is exports, more specifically, when the value of its imports exceeds those of its exports. There are different reasons on



why the country import more than exports. Some of these reasons includes poor quality of domestic goods produced, lack of international marketing strategies, poor political relationships with foreign countries, less domestic production, dependence on few or one economic sector particularly agriculture in Africa, and poor technology, just to a few to mention.

(ii) The effects of more importing than exporting:

- Imports make a country dependent on other countries' political and economic power. That's especially true if it imports commodities, such as food, oil, and industrial materials. It's dangerous if it relies on a foreign power to keep its population fed and its factories humming.
- Countries with high import levels experience less values of their domestic currencies as because a lot amount of local currencies is used for imports. Thus their low demand of local currencies as longer as few or no foreign countries purchase local produced goods. Also, more importing may lead to inflation.
- Transfer of technology

(b) The essential principles of taxation:

- **Simplicity.** This advocates that Tax system should be plain, simple to understand by the common taxpayers. It should not be complicated to understand how to calculate and ultimately ascertain how much to be paid.
- **Convenience.** This principle emphasizes that both time and manner in which payments are executed should be convenient to the taxpayer. "Every Tax ought to be levied at the time or in the manner in which it is most likely to be convenient for the contributor to pay". For instance, the payment of Value Added Tax (VAT) and Excise duty by the consumer is very convenient because the consumer pays the Tax when he buys the commodities at the time when he has the means to buy the product.
- **Certainty.** Taxation system should be certainly to avoid uncertainty which creates favourable climate for tax evasion hence compromising with the Taxation objectives. The time, the manner of payment and the amount to be paid must be clear known to the taxpayer.
- **Equality.** Taxes should be allocated among individuals fairly and reasonably. In taxation systems, the principle of equality is considered as the most important. This implies that every person should pay the tax according to his ability and not the same amount. It further means that every taxpayer should not pay at the same rate; rather every taxpayer should pay the tax proportion to his income.



**SUGGESTED SOLUTIONS**  
**T08 – ACCOUNTING FOR PUBLIC SECTOR AND COOPERATIVES**  
**MAY 2019**

**ANSWER 1**

- (a)
- |       |   |        |   |
|-------|---|--------|---|
| (i)   | A | (vi)   | C |
| (ii)  | D | (vii)  | D |
| (iii) | B | (viii) | C |
| (iv)  | A | (ix)   | D |
| (v)   | B | (x)    | A |
- (b)
- |       |   |      |   |
|-------|---|------|---|
| (i)   | D | (iv) | F |
| (ii)  | B | (v)  | I |
| (iii) | E |      |   |
- (c)
- |       |      |      |       |
|-------|------|------|-------|
| (i)   | TRUE | (iv) | FALSE |
| (ii)  | TRUE | (v)  | FALSE |
| (iii) | TRUE |      |       |

**ANSWER 2**

- (a) The report of accounting officer shall state the following:
- (i) The nature of the loss or shortage;
  - (ii) The amount involved;
  - (iii) The place, and if known, date on which the loss or shortage occurred;
  - (iv) The date and if applicable, time of discovery of the loss or shortage;
  - (v) The exact circumstances in which the loss or shortage arose;
  - (vi) Whether the loss or shortage was the result of a failure to observe current accounting instructions;
  - (vii) Whether the loss or shortage was due to a fault in the accounting system;
  - (viii) Whether the loss or shortage was discovered as the result of the internal check and if not, why the internal check failed to reveal it;
  - (ix) Whether misappropriation, fraud, negligence or other irregularity was involved;
  - (x) The name and designation of the officer considered to be responsible for the loss or shortage;

- (xi) Whether that officer has made good the loss or shortage;
  - (xii) Whether that officer's suspension or Interdiction from duty is recommended;
  - (xiii) Whether disciplinary or recovery action in accordance with section 10 of the Act is recommended and against whom and, if not why not;
  - (xiv) Whether the loss or shortage was reported to the police (if so, the police report should be attached; and
  - (xv) The measures taken or recommended to prevent the recurrence of a similar loss or shortage.
- (b) The accounting officer shall have the following responsibilities in respect to the procurement process:
- (i) Establishing a tender board in accordance with this Act;
  - (ii) Appointing the members of the tender board;
  - (iii) Causing to be established a procurement management unit staffed to an appropriate level approving all procurement opportunities;
  - (iv) Appointing the evaluation committee and negotiation team communicating award decisions;
  - (v) Certifying the availability of funds to support the procurement activities;
  - (vi) Signing contracts for the procurement activities on behalf of the procuring entity;
  - (vii) Handling complaints by suppliers, contractors or consultants;
  - (viii) Submitting a copy of complaints and reports of the finding to the Authority;
  - (ix) Ensuring that the implementation of the awarded contract is in accordance with the terms and conditions of the award;
  - (x) Submitting to the Authority a list of contracts awarded, annual procurement plan and a list of blacklisted firms;
  - (xi) Implementing decisions made by the Authority and Appeals Authority after investigation or adjudication of a complaint;
  - (xii) Providing feedback on the implementation of the decision of the Authority of the Appeals Authority within fourteen days of receiving communicating of the decision.

- (c) (i) **Specific functions of the Registrar of Cooperative Societies are as follows:**
- Registering, promoting, inspecting and advising cooperative societies
  - Acting as an advisor to the cooperatives minister
  - Encouraging formation of cooperatives in all areas of the economy
- (ii) **Below are the main areas in which cooperative societies can be set up:**
- Agriculture (including sericulture, fishing etc.) and Mining
  - Savings and credit provision like SACCOS (Savings and Credit Cooperative Organizations)
  - Consumer goods that is wholesale and retail store for members
  - Small and medium scale industries
  - Housing Societies which would help members in building and construction
  - Other Specialized skills like carpentry handicrafts etc.
- (d) **The following procedure is to be observed in handover of stores:**
- (i) The officer taking over the stores must ensure that items in the store tally with the record in the store ledger or bin card.
  - (ii) Where the out-going officer is not available, an appointment of a stock verifier is effected to hand-over the store to the in-coming one.
  - (iii) Where there are no differences between the physical stores and the store ledger records, the incoming and outgoing officer will sign a certificate of handover on stores.
  - (iv) Where there are differences resulting in loss of stores, the outgoing officer will be held responsible.

### ANSWER 3

- (a) (i) **Service potential:** Service potential means the capacity to provide goods and services in accordance with the entity's objectives, whether those objectives are the generation of net cash inflows or the provision of goods and services of a particular volume, quantity and quality to beneficiaries thereof.
- (ii) **Value in use:** Value in use is defined as the present value at the reporting date to the entity of the asset's remaining service potential or economic benefits if it continues to be used, and of the net amount that the entity will receive from its disposal at the end of its useful life.
- (b) **Sources of revenue to local government authorities:** Local governments have the mandate to raise certain revenues from taxes, levies and fees. The local governments set their own revenue policy within the limits set by central government. They retain all their revenue and use it as part of their own budgets – these revenues don't form part of central government revenue. The taxes, levies, fees and revenue sources which local governments are mandated to raise under the Local Government Finances Act are as follows:
- (i) **Taxes on property**
- Land rates/tax
- (ii) **Taxes on goods and services**
- Crop levy (maximum 5% of farm gate price)
  - Forest produce-levy
- (iii) **Taxes on specific services**
- Guest house levy
- (iv) **Business and professional licenses**
- Commercial fishing license fees
  - Intoxicating liquor license fee
  - Private health facility license fee
  - Plying permit fees
  - Taxi license fee
  - Other business licenses fees
- (v) **Motor vehicles, other equipment and ferry licenses**
- Vehicle license fees
  - Fishing vessel license fees
- (vi) **Other taxes on the use of goods, permission to use goods**
- Buildings materials extraction license fee
  - Hunting license fees
  - Muzzle loading guns' license fee
  - Scaffolding/hoarding permit fees
- (vii) **Entrepreneurship and property income**
- Dividends

- Interest and land rent
- (viii) **Administrative fees and charges**
- Magulio fees
  - Meat inspection charges
  - Land survey service fee
  - Building permit fees
  - Livestock market fee
  - Fish leading facilities
  - Renting fee, insurance commission fee etc.
- (ix) **Fines and penalties**
- Stray animals fee
  - Share of fines imposed by court magistrate

(c) **WAUNGWANA DISTRICT COUNCIL STATEMENT OF FINANCIAL POSITION AS AT 31<sup>ST</sup> DECEMBER 2017**

	<b>31/12/216</b>	<b>31/12/2017</b>
<b>Non-Current Assets</b>		
Land and Buildings	957,543,980	1,200,765,430
Plant and Motor Vehicle	<u>187,000,765</u>	<u>245,876,230</u>
<b>Total Non-Current Assets</b>	<b>1,144,544,745</b>	<b>1,446,641,660</b>
<b>Current Assets</b>		
Cash in hand	3,460,000	2,549,700
Cash at Bank	23,586,000	27,945,670
Debtors	<u>36,098,450</u>	<u>83,765,000</u>
Total Current Assets	63,144,450	114,260,370
<b>Less: Current Liabilities</b>		
Creditors	276,077,000	387,658,400
Unclaimed salary	-	12,945,000
Total Current liabilities	276,077,000	400,603,400
Working Capital	<u>(212,932,550)</u>	<u>(286,343,030)</u>
Net Assets	<b><u>931,612,195</u></b>	<b><u>1,160,298,630</u></b>
Represented by:		
Revaluation Reserve	488,900,650	536,500,860
Capital Reserve	356,980,970	465,809,820
Surplus (Deficit) Account	<u>85,730,575</u>	<u>157,987,950</u>
	<b><u>931,612,195</u></b>	<b><u>1,160,298,630</u></b>

#### ANSWER 4

- (a) Capital Expenditure Budget is an outline issued to allocate funds amongst various existing and future projects of a particular organization. This is normally issued by the Management of an organization concerned.
- (b) Three important areas to be considered in order to be assured that an investment in a particular project is worth-undertaking:
  - (i) That a detailed evaluation of the project has been carried;
  - (ii) That the project conforms to the organizations long-term objectives or goals;
  - (iii) That the project will contribute profitably for the organization
- (c) Reasons as to why the following two stages have to be understand as part of project appraisal:
  - (i) **A detailed assessment** – Undertaken to ensure that cash flows to be generated from the project would add (or adds) to economy value and activities of the organization. This can be done through cost/benefit analysis as well as through sensitivity analysis.
  - (ii) **The monitoring exercise** – Undertaken to monitor the progress of a project as most projects would normally involve heavy capital expenditure and are normally undertaken over a long period of time. The monitoring exercise is therefore undertaken to check whether or not it is on schedule and that the cost thus far is within the budget.
- (d) A technical or professional term used as a way of funding out as to whether or not the project performance is in line with expectations is the Post Completion Audit

