

**MAY 2019**  
**2 & A**



**FOUNDATION LEVEL**



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**EXAMINATION** : **FOUNDATION LEVEL**  
**SUBJECT** : **QUANTITATIVE TECHNIQUES**  
**CODE** : **A1**  
**EXAMINATION DATE** : **TUESDAY, 7<sup>TH</sup> MAY 2019**  
**TIME ALLOWED** : **THREE HOURS (9:00 A.M. – 12:00 NOON)**

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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 all your workings in your answer book(s).
  5. Calculator may be used.
  6. Mathematical tables and graph papers will be provided where necessary.
  7. This question paper comprises **5** 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) In a/an \_\_\_\_\_ inventory system a constant amount is ordered when inventory declines to a predetermined level.
- A. periodic
  - B. constant
  - C. continuous
  - D. economic
- (ii) EOQ is a/an \_\_\_\_\_ inventory system.
- A. optimal
  - B. economic
  - C. periodic
  - D. constant
- (iii) A/An \_\_\_\_\_ probability is the probability that an event will occur given that another event has already occurred.
- A. variable
  - B. objective
  - C. conditional
  - D. certain
- (iv) In a village with 800 families, each has five children. Assuming the probability of male birth is  $\frac{1}{2}$ , how many families do you expect to have three boys?
- A. 500
  - B. 250
  - C. 400
  - D. 800
- (v) Annuity due is:
- A. one value where the first payment falls due at the end of the period
  - B. is an annuity whose payments occur at the beginning of each period
  - C. is an annuity whose payments occur at the end of each period
  - D. is a series of payment of a variable amount payable regularly at varying intervals
- (vi) Quantitative data can be defined as:
- A. raw data which are collected for a specific inquiry or study
  - B. data used in a particular study or investigation which have previously been collected for some other purposes
  - C. data which are described in numerical forms and they tell how many or how much and are measured on numerical scale
  - D. data which are used in many of varying inquiries or studies

- (vii) Pay off table is:
- A. the one showing what should not be paid in a business environment
  - B. a tabular presentation of the pay offs for an inquiry problem
  - C. a tabular presentation of the pay offs for a decision problem
  - D. a table commonly used to decide on best options in doing business
- (viii) A maximizing assignment problem can be converted to an equivalent minimization problem by:
- A. subtracting the lowest element from all other elements of the given matrix
  - B. subtracting the lowest elements of each row from other elements in that row
  - C. subtracting all elements of each column from the highest element in the column
  - D. subtracting all elements in the matrix from the highest element in the matrix
- (ix) In linear programming approach, firms which are used to implement all resources available are categorized as:
- A. implementation modeling
  - B. transportation modeling
  - C. firm modeling
  - D. scarce resources modeling
- (x) These are activities carried by simulation process except:
- A. introducing of all variables
  - B. construction of simulation model
  - C. determining equation describing situation of linear model
  - D. running the simulation

**(20 marks)**

- (b) 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**

- (i) Linear programming
- (ii) Basic stock control model assumption
- (iii) A network
- (iv) A simulation model
- (v) A normal distribution

### LIST B

- A. Uses input and output variables
- B. Zero lead time
- C. No cost
- D. A sequence of activities
- E. A means of making production function linear
- F. A list of activities
- G. An optimization problem
- H. Unknown demand
- I. Symmetrical
- J. Mean equals median

**(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 incorrect statement in your booklet:
- (i) The standard deviation of a binomial probability is given by  $npq$ .
  - (ii) The sum of probabilities of all simple events in the sample space may be less than one depending on circumstances.
  - (iii) If the dependent variable is negative, the graph will be prepared in the iv quadrant.
  - (iv) Production firm has a minimum cost when the average cost is equal to marginal cost.
  - (v) Spearman’s rank correlation coefficient needs parametric data

**(10 marks)**

**(Total: 40 marks)**

### QUESTION 2

- (a)
  - (i) Evaluate  $P(6,4)$
  - (ii) Evaluate  $C(9,5)$  **(2 marks)**
  - (iii) if  ${}^n P_4 = 12 \cdot {}^n P_2$ , find n **(2 marks)**
- (b) Define the following concepts:
  - (i) Pay off table **(3 marks)**
  - (ii) Maximax **(3 marks)**
- (c) Briefly describe any two decision environments. **(4 marks)**
- (d) A management is faced with the problem of choosing one of the three products for manufacturing. The potential demand for each product may turn out to be good, moderate or poor. The probabilities for each of the state of nature were estimated as follows:



Product	Probability of Nature of Demand		
	Good	Moderate	Poor
X	0.7	0.2	0.1
Y	0.5	0.3	0.2
Z	0.4	0.5	0.1

The profit or loss under the three states have been estimated in TZS as:

Product	Good	Moderate	poor
X	30,000,000	20,000,000	10,000,000
Y	60,000,000	30,000,000	20,000,000
Z	40,000,000	10,000,000	-15,000,000

**REQUIRED:**

Prepare the expected value table and advise the management about the choice of the product. (6 marks)

**(Total: 20 marks)**

**QUESTION 3**

(a) (i) Differentiate  $y = 2x^2(5x + 3)$  with respect to  $x$ . (3 marks)

(ii) Evaluate  $\int x(x^2 + 1)^{3/2} dx$  (3 marks)

(b) Niagara firm is operating using the following Total Revenue and Total cost functions;

$$TR = 40y - 8y^2 \text{ and}$$

$$TC = 8 + 16y - y^2 \text{ where } y = \text{thousands of units of products}$$

**REQUIRED:**

If the firm wishes to maximize profit, what level of output ( $y$ ) should be produced? (14 marks)

**(Total: 20 marks)**

**QUESTION 4**

(a) Suppose the correlation coefficient is 0.2 and the number of observations is 32. What is the calculated test statistic? Is this significant correlation using a 5% level of significance? (8 marks)

(b) The height and weight of baseball players are shown in the table below:

Height (inches)	76	76	72	74	75	71	77	78	77	76
Weight (pounds)	212	224	180	210	215	200	235	235	194	185
Height (inches)	72	72	75	74	73	72	70	73	71	74
Weight (pounds)	180	170	220	228	210	180	185	190	186	200

**REQUIRED:**

- (i) Find a regression equation between height and weight of baseball players. **(4 marks)**
- (ii) Use the regression equation to find the weight of a baseball player that is 75 inches tall. **(2 marks)**
- (c) A company makes bicycles. It produces 450 bicycles a month. It buys the tires for bicycles from a supplier at a cost of \$20 per tire. The company's inventory carrying cost is estimated to be 15% of cost and the ordering is \$50 per order. The exchange rate for US\$ is TZS.2,350 per US\$.

**REQUIRED:**

Compute the following:

- (i) The Economic Order Quantity (EOQ). **(2 marks)**
  - (ii) The average annual ordering cost in TZS. **(2 marks)**
  - (iii) The average inventory. **(2 marks)**
- (Total: 20 marks)**



**EXAMINATION** : **FOUNDATION LEVEL**  
**SUBJECT** : **BUSINESS AND MANAGEMENT**  
**CODE** : **A2**  
**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. There are **FOUR** questions in this paper.
  2. Answer **ALL** questions.
  3. Marks are shown at the end of each question.
  4. Presentation, clarity of expression, logic of arguments and the use of lucid English will be taken into account in the assessment of candidates' answers.
  5. This question paper comprises **5** 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 section of a business plan which provides details of marketing mix is described as:

- A. Marketing plan
- B. Financial plan
- C. Operational plan
- D. Risk analysis plan

(ii) The studies which were conducted by George Elton Mayo in the Hawthorne plant of electric Company gave rise to one of the important school of thought.

The school is termed as:

- A. scientific management school
- B. process management school
- C. human relation school
- D. behavioural science school

(iii) Delegative kind of leadership is best applicable when:

- A. employees are highly skilled, experienced and educated
- B. employees have high initiative, ready to give opinions and highly motivated to implement their own opinions
- C. employees are highly motivated, ready to participate in decision making and have high drive to implement plans and policies
- D. employees are coerced to accomplished results, highly challenge their leader and there is limited time to implement plans

(iv) Which of the following factors do not influence change of organization structures:

- E. Downsizing of organizations
- F. Expansion of organizations
- G. Merge of organizations
- H. Image of organizations

(v) In implementing strategies so as to achieve objectives, we need programs and budgets. Which of the following statements about features of programs is not correct?

- A. Programs specify the targeted level of an organization's achievement
- B. Programs specify the steps to be taken to achieve a strategy
- C. Programs specify the resources to be used in achieving strategy performance
- D. Programs specify time frame for each task to be performed in putting strategy in action

- (vi) Plans can be classified according to “use” or “length” of planning. One of the plans classified according to use is “standing plan”. How can this type of plan be described?
- A. It is a plan that is developed for a one-time event
  - B. It is a plan that is developed for activities that occur regularly over a period of time
  - C. It is a plan that is developed for long term goals
  - D. It is a plan that is developed for complex projects
- (vii) When a person purchase stocks of a Company become the participant or a shareholder in the Company. On the other hand, if a person buys bonds of an entity, the person becomes:
- A stakeholder of the entity
  - B. dividend holder of the entity
  - C. an investor of the entity
  - D. creditor of the entity
- (viii) ..... explain how an organization will value its suppliers, customers and employees’ actors involved in the process of creating profitability.
- A. Core value statements
  - B. Mission statement
  - C. Vision statement
  - D. Vision and moral statements
- (ix) ..... is money that is received in exchange for a share of ownership in the business.
- A. Revenue
  - B. Income
  - C. Equity
  - D. Profit
- (x) ..... provides a rationale for investment and as such should support robust analysis and rational decision-making.
- A. The financial plan
  - B. The project plan
  - C. The economic plan
  - D. The business plan

**(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. Money
- ii. Business ethics
- iii. Virtuous ethics
- iv. The Golden rule
- v. Satisfied customers

**LIST B**

- A. A concept of living your life according to a commitment to the achievement of a clear ideal.
- B. Customer retention
- C. Company's customer relationship capital
- D. Input in production
- E. Treat others as you would like to be treated
- F. The system by which business corporations are directed and controlled
- G. The application of ethical standards to business behaviour.
- H. Serve on behalf of others
- I. The form of money which is legally accepted in settlement of a debt

**(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) The leadership style in which initiatives from subordinates are not entertained and all decision-making powers are centralized in the leader is called autocratic type of leadership.
- (ii) The prime role of capital market is to make investment from investors with surplus funds to the one who are in deficit.
- (iii) Executive summary part of a business proposal gives details of the business to be undertaken and it is meant for technical people who implement the proposal.
- (iv) Legitimate power exists when a subordinate acknowledges that his/her manager is lawfully entitled to exercise authority.
- (v) PEST analysis is one of the components of business competitive advantage

**(10 marks)**

**(Total: 40 marks)**

## QUESTION 2

- (a) The professional ethics are provided so as to guide the professional accountants to meet the public expectations.

### REQUIRED:

- (i) Briefly explain at least four fundamental principles of professional ethics. **(4 marks)**
- (ii) Describe the importance of ethics to organization and individuals. **(6 marks)**

- (b) Organizations are governed through policies and principles so as to maintain sustainability.

### REQUIRED:

Explain how the principle of utilitarian as the foundation for the business applies to practice Corporate Social Responsibility (CSR). **(5 marks)**

- (c) Corporate governance is defined as the system by which business corporations are directed and controlled.

### REQUIRED:

Explain the four components of corporate governance. **(5 marks)**  
**(Total: 20 marks)**

## QUESTION 3

- (a) Basing on Michael Porter's five competitive forces, explain factors that influence intensity of competitiveness in an industry. **(8 marks)**

- (b) Describe five dissatisfiers as propounded by Herzberg's motivation-Hygiene theory. **(5 marks)**

- (c) Explain the term financial intermediaries and its functions. **(4 marks)**

- (d) Explain any three disadvantages of long term loan as a source of business financing. **(3 marks)**

**(Total: 20 marks)**

#### QUESTION 4

- (a) With examples discuss five environmental factors affecting a business. **(10 marks)**
- (b) Explain how motivation to employees can boost the organization performance. **(5 marks)**
- (c) Policies are guidelines that guide or channel thinking in decision making. They are designed to help organizations attain their objectives and goals. However, most organization managers find it difficult to develop good policies due to the fact that they fail to understand important issues to consider when designing policies.

#### **REQUIRED:**

Explain five issues that needs to be considered for designing a quality organizational policy. **(5 marks)**

**(Total: 20 marks)**





**EXAMINATION** : **FOUNDATION LEVEL**  
**SUBJECT** : **ACCOUNTING**  
**CODE** : **A3**  
**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. 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 **9** printed pages.
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## QUESTION 1

For each of the questions 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 following bank reconciliation statement has been prepared by an accountant trainee:

DESCRIPTIONS	TZS.
Overdraft per bank statement	3,860,000
Less: Outstanding cheques	<u>9,160,000</u>
	5,300,000
Add: Deposits credited after date	16,690,000
Cash at bank as calculated above	21,990,000

What should be the correct balance per the cash book?

- A. TZS.21,990,000 balance at bank as stated.  
 B. TZS.3,670,000 balance at bank.  
 C. TZS.11,390,000 balance at bank.  
 D. TZS.3,670,000 overdraft.
- (ii) The debit side of a company's trial balance totals TZS.800,000 more than the credit side.  
 Which one of the following errors would fully account for the difference?
- A. TZS.400,000 paid for plant maintenance has been correctly entered in the cash book and credited to the plant asset account  
 B. Discount received TZS.400,000 has been debited to discount allowed account.  
 C. A receipt of TZS.800,000 for commission receivable has been omitted from the records.  
 D. The petty cash balance of TZS.800,000 has been omitted from the trial balance.
- (iii) The following control account has been prepared by an accountant trainee:

### Receivables ledger Control Account

DR.	TZS('000')	CR.	TZS('000')
Opening balance	308,600	Cash received from credit customers	147,200
Credit sales	154,200	Discounts allowed to credit customers	1,400
Cash sales	88,100	Interest charged on overdue accounts	2,400
Contras against credit balances in payables ledger	4,600	Bad debts written off	4,900
		Allowance for receivable	2,800
		Closing balance	396,800
	<b>555,500</b>		<b>555,500</b>

What should the closing balance be when all the errors made in preparing the receivables ledger control account have been corrected?

- A. TZS.395,200,000
- B. TZS.304,300,000
- C. TZS.309,500,000
- D. TZS.307,100,000

- (iv) P and Q were in partnership, sharing profits or losses equally. On 30<sup>th</sup> June 2018, R joined the partnership and it was agreed that from that date all three partners should share equally the profit or loss obtained.

In the year ended 31<sup>st</sup> December 2018 the profit amounted to TZS.300,000,000 accrued evenly over the year after charging a bad debt of TZS.30,000,000 which it was agreed to be borne equally by P and Q only.

What should P's total profit share be for the year ended 31<sup>st</sup> December 2018?

- A. TZS.75,000,000
- B. TZS.122,500,000
- C. TZS.125,000,000
- D. TZS.110,000,000

- (v) The correct order of steps in the accounting process for turning transaction data into useful information for decision-making is:

- 1) Communicating
- 2) Processing
- 3) Recording
- 4) Controlling

- A. 1, 2, then 3
- B. 3, 1 then 2
- C. 3, 2 then 1
- D. 4, 2, 3 then 1

- (vi) Which of the following equation is correct?

- A. Assets + Capital = Liabilities
- B. Assets - Capital = Liabilities
- C. Capital = Liability - Assets
- D. Capital = Assets + Liabilities

- (vii) A firm purchased 213 items of goods on credit from a wholesaler at a list price of TZS.120,000 each, less a 10% trade discount. Soon after the purchase, the firm returned 10 defective items to the wholesaler. A credit note was issued by the wholesaler to confirm the return:

How much did the goods cost when the purchase was made?

- A. TZS.21,924,000
- B. TZS.1,080,000
- C. TZS.23,004,000
- D. TZS.25,560,000

- (viii) The owner of a business took goods for his private use. What is the double entry for this transaction?
- A. Dr. Capital; Cr: Inventory
  - B. Dr. Drawings; Cr; Inventory
  - C. Dr. Capital; Cr. Purchases
  - D. Dr. Drawings; Cr. Purchases
- (ix) A trial balance can:
- 1) be used as a basis on which financial statements are prepared.
  - 2) be used to check the spelling of the account titles.
  - 3) help detect errors made in the recording of transactions.
  - 4) prove that all transactions have been recorded in the books of the business.
- A. 1 and 3
  - B. 1 and 4
  - C. 2 and 3
  - D. 2 and 4
- (x) At the beginning of the current year, Mbamba Corporation had 200,000 shares of TZS.1 per ordinary share outstanding and had retained earnings of TZS.4,800,000. During the year, the company earned TZS.1,675,000 and paid a year-end cash dividend of TZS.3 per share. What was Mbamba's retained earnings at the end of the year?
- A. TZS.4,800,000
  - B. TZS.5,875,000
  - C. TZS.6,275,000
  - D. TZS.6,475,000
- (xi) Which of the following is the entry to be recorded by law firm when it receives a payment from a new client that will be earned when services are provided in the future?
- A. Debit accounts receivable; credit legal services revenue.
  - B. Debit unearned revenue; credit legal service revenue.
  - C. Debit cash; credit unearned revenue.
  - D. Debit cash, credit legal service revenue.
- (xii) The proper steps for preparing a statement of income are:
- 1) Calculate the cost of goods sold and gross profit
  - 2) Calculate the net profit.
  - 3) Close off the purchases and sales accounts
  - 4) Close off the accounts of expenses and other revenues
- A. 4, 3, 1 then 2
  - B. 1, 2, 3 then 4
  - C. 3, 1, 4 then 2
  - D. 3, 4, 1, then 2

- (xiii) Current assets are listed in the statement of financial position in:
- A. in alphabetical order.
  - B. in order of importance.
  - C. in order of liquidity.
  - D. in order of durability.
- (xiv) The following tasks are to be completed in an accounting cycle.
- A. Balancing off the accounts
  - B. Recording in the day books
  - C. Preparing the financial statements
  - D. Posting to the ledgers
- Which of the following is the correct sequence of carrying out the above tasks?
- A. 2, 1, 3 and 4
  - B. 2, 1, 4 and 3
  - C. 2, 4, 1 and 3
  - D. 4, 2, 3 and 1
- (xv) When expenses exceed revenues in a given period:
- A. stockholders equity will not be impacted
  - B. stockholders equity will be increased
  - C. stockholders equity will be decreased
  - D. it cannot determine the impact on stockholders equity without information about the specific revenue
- (xvi) Which of the following is true regarding the statement of income:
- A. The statement of income sometimes called the statement of operations.
  - B. The statement of income reports revenue, expenses, and liabilities.
  - C. The statement of income only reports revenue for which cash was received at the point of sale.
  - D. The statement of income reports the financial position of a business at a particular point in time.
- (xvii) Which of the following is false regarding the statement of financial position?
- A. The accounts shown on a statement of financial position represent the basic accounting equation for a particular business
  - B. The retained earning balance shown on the statement of financial position must agree with the ending retained earning balance shown on the statement of retained earnings.
  - C. The statement of financial position summarizes the net changes in specific account balances over a period of time
  - D. The statement of financial position reports the amount of assets, liabilities, and stockholders equity of a business at a point in time.

- (xviii) Which of the following is not a goal of external users reading a company's financial statement?
- A. Understanding the current financial state of the company
  - B. Assessing the company's contribution to social and environmental policies
  - C. Predicting the company's future financial performance
  - D. Evaluating the company's ability to generate cash from sales
- (xix) If a company incorrectly records a payment as an asset, rather than as an expense, how will this error affect net income in the current period?
- A. Net income will be too high
  - B. Net income will be too low
  - C. Net income will not be affected by this error
  - D. Net income will turn into a loss
- (xx) Which of the following statements regarding the statement of cash flows is false?
- A. The statement of cash flow separates cash inflows and outflows into three major categories: operating, investing and financing.
  - B. The ending cash balance shown on the statement of cash flows must agree with the amount shown on the statement of financial position at the end of the same period
  - C. The total increase or decrease in cash shown on the statement of cash flows must agree with the bottom line (net income or net loss) reported on the statement of income
  - D. The statement of cash flows covers a period of time

**(40 marks)**

## **QUESTION 2**

The debtors' ledger control account of Watson showed the following balances: TZS.27,000,000 DR. and TZS.650,000 CR. on 31<sup>st</sup> December 2017. These figures did not agree with the schedule (list) of debtors balances extracted on the same date. An examination of the books revealed the following:

1. Discount allowed to a customer of TZS.120,000 had been treated as discount disallowed of TZS.210,000 in the debtors ledger control account. No entry was made to the customer's account.
2. Interest amounting to TZS. 95,000 charged to a customer's overdue account, had been correctly entered in the customer's account and entered as TZS.59,000 in the interest account. Following a complaint by the customer the charge was reduced to TZS.65,000. This reduction had not been entered in the books.
3. Sales of TZS.1,720,000 had been entered on the credit side of a customer's account. This included cash sales of TZS.1,240,000.
4. A contra entry of TZS.140,000 had been entered on the incorrect side of the control account. When making the entry in the customer's account the item was entered as TZS.410,000 on the incorrect side.

- E. Bills receivable of TZS.560,000 was entered on the incorrect side of a customer's account.
6. Watson accepted returns of TZS.300,000 from a customer and this was entered correctly in the books. However, a credit note was sent showing a restocking charge of 10% of the sales price. The accounts clerk only made the necessary adjustment in the customer's account. Later, this charge was reduced to 5% but this reduction was not reflected in the account.

**REQUIRED:**

- (i) Prepare the adjusted debtors' ledger control account. **(4 marks)**
- (ii) Prepare the adjusted schedule of debtors showing the original balance. **(8 marks)**
- (iii) Give two reasons for preparing debtors' control accounts and explain two limitations of using control accounts. **(8 marks)**
- (Total 20 marks)**

**QUESTION 3**

- (a) Boka, the owner of a mobile shop maintains incomplete records of his business. He wants to know the result of the business for the year ending 31<sup>st</sup> December 2018 and the following information is available:

	<b>1<sup>st</sup> Jan, 2018</b>	<b>31<sup>st</sup> Dec, 2018</b>
	<b>TZS. '000'</b>	<b>TZS. '000'</b>
Cash in hand	3,000	3,500
Bank balance	15,000	16,000
Furniture	2,000	2,000
Stock	10,000	13,000
Creditors	7,000	8,000
Debtors	5,000	6,000

During the year he had withdrawn TZS.10,000,000 for his personal use and invested TZS.5,000,000 as additional capital.

**REQUIRED:**

- Calculate his profit for the year ended 31<sup>st</sup> December 2018. **(10 marks)**
- (b) State five accounting concepts, and explain how each one contributes to fair presentation in the financial statements. **(10 marks)**
- (Total: 20 marks)**

#### QUESTION 4

You are given the following information related to Kongwa Welfare Society.

#### RECEIPT AND PAYMENTS ACCOUNT OF KONGWA WELFARE SOCIETY FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2017

Receipts	Amount (TZS.'000')	Payments	Amount (TZS.)'000'
To Balance b/d	19,800	By Salaries and wages	142,802
To Subscriptions		By 10% Investments (Face value 13,750)	
2016-17 TZS.8,910		Purchased on 1.10.17	11,000
2017-18 TZS.231,000		By Rates and Taxes	6,809
Boka-19 TZS.2,750	242,660	By office Expenses	8,602
To Legacies	7,920	By Entertainment material	64,020
To Donations for building	46,200	By Telephone charges	2,860
To Sale of old furniture (at book values)	6,600	By Advance for building	16,500
To Miscellaneous receipts	79,408	By Internet charge	1,320
		By balance c/d	148,675
<b>Total</b>	<b>402,588</b>		<b>402,588</b>

#### Additional Information:

On 31<sup>st</sup> March 2017, the Kongwa Welfare Society had the following assets and liabilities:

#### Assets:

- (i) 10% investment TZS.121,000,000 (face value TZS.165,000,000)
- (ii) Furniture TZS.88,000,000
- (iii) Musical instruments TZS.13,420,000
- (iv) Machinery TZS.61,600,000
- (v) Fax machines TZS.18,700,000
- (vi) Subscription in arrears TZS.17,600,000

#### Liabilities:

- (i) Creditors for entertainment material TZS.5,500,000, subscription received in advance TZS.2,310,000 and building fund TZS.55,000,000.
- (ii) Charge depreciation each by 20% on furniture, machinery and fax machines.
- (iii) On 31<sup>st</sup> March 2017 entertainment material was valued at TZS.28,732,000, Internet charges was outstanding TZS.1,650,000.



- (iv) Each year subscription is paid by 110 members, each paying TZS.2,310,000.
- (v) Payment for entertainment material includes TZS.2,200,000 for previous year.

**REQUIRED:**

Prepare Income and Expenditure Account for the year ended 31<sup>st</sup> March 2017 and the Statement of Financial Position as at 31<sup>st</sup> March 2017. **(20 marks)**



**EXAMINATION** : **FOUNDATION LEVEL**  
**SUBJECT** : **BUSINESS INFORMATION**  
**CODE** : **A4**  
**EXAMINATION DATE** : **THURSDAY, 9<sup>TH</sup> MAY 2019**  
**TIME ALLOWED** : **THREE HOURS (9:00 A.M. – 12:00 NOON)**

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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.
-

## QUESTION 1

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) A Company which uses an activity based costing system, manufactures three products, whose details are given below:

	<b>Product X</b>	<b>Product Y</b>	<b>Product Z</b>
Annual production (units)	160,000	200,000	100,000
Batch size (units)	100	50	25
Number of inspection per batch	3	4	6

Annual inspection costs are TZS.150,000.

The inspection costs per unit of Production Y will be:

- A. TZS.0.23
  - B. TZS.0.33
  - C. TZS.13.39
  - D. TZS.0.27
- (ii) A company uses a standard costing system. The Company's sales budget for the latest period includes 1,500 units of a product with a selling price of TZS.400 per unit. The product has a budgeted contribution to sales ratio of 30%. Actual sales for the period were 1,630 units at a selling price of TZS.390 per unit. The actual contribution to sales ratio was 28%. The sales volume contribution variance for the product for the latest period is:
- A. TZS.15,600 F
  - B. TZS.52,000 F
  - C. TZS.14,560 F
  - D. TZS.14,196 F
- (iii) Which three of the following statements are advantages of the internal rate of return (IRR)?
- A. It is a measure of absolute profitability
  - B. It considers time value of money
  - C. It is based on accounting profits
  - D. It is a simple measure of risk
- 1. 1,2 and 3
  - 2. 1,2 and 4
  - 3. 2,3 and 4
  - 4. 1,3 and 4

- (iv) The term 'budget slack' refers to the:
- A. extended lead time between the preparation of the functional budgets and the master budget
  - B. difference between the budgeted output and the breakeven output
  - C. additional capacity available which can be budgeted for
  - D. deliberate over-estimation of costs and under-estimation of revenues in a budget
- (v) A Company's budget for the next period shows that it would breakeven at sales revenue of TZS.800,000 and fixed costs of TZS.320,000. The sales revenue needed to achieve a profit of TZS.200,000 in the next period would be:
- A. TZS.1,000,000
  - B. TZS.1,300,000
  - C. TZS.1,320,000
  - D. TZS.666,667
- (vi) Examples of industries that would use process costing include all of the following except:
- A. beverages
  - B. food
  - C. hospitality
  - D. petroleum
- (vii) A worker is paid TZS.500 per unit and he produces 18 units in 7 hours. Keeping in view the piece rate system, the total wages of the worker would be:
- A. TZS.6,300
  - B. TZS.9,000
  - C. TZS.126
  - D. TZS.3,500
- (viii) Which of the following is an example of statutory deductions for a public servant?
- A. Pay as you earn
  - B. Saccos contribution
  - C. Subscription to a trade union
  - D. Loan deduction
- (ix) Using absorption costing, unit cost of product includes which of the following combination of costs?
- A. Direct materials, direct labour and fixed overhead
  - B. Direct materials, direct labour and variable overhead
  - C. Direct materials, direct labour, variable overhead and fixed overhead
  - D. Only direct materials and direct labour
- (x) The break-even point in units is calculated by using:
- A. Fixed expenses and the contribution margin ratio
  - B. Variable expenses and the contribution margin ratio
  - C. Fixed expenses and the unit contribution margin
  - D. Variable expenses and the unit contribution margin

- (xi) Which one among the following is not an objective of cost Accounting?
- A. Ascertainment of cost
  - B. Determination of selling price
  - C. Cost control and cost reduction
  - D. Assisting shareholders in decision making
- (xii) Cost Unit is defined as:
- A. unit of quantity of product, service or time in relation to which costs may be ascertain or expressed
  - B. a location, person or an item of equipment or a group of these for which costs are ascertained and used for cost control
  - C. centers having the responsibility of generating and maximizing profits
  - D. centres concerned with earning an adequate return on investment
- (xiii) Which of the following describe well the concept of Fixed Cost?
- A. Changes in total in proportion to changes in output
  - B. Partly fixed and partly variable in relation to output
  - C. Do not change in total during a given period despite changes in output
  - D. Remains the same for each unit of output
- (xiv) Abnormal cost can be defined as a cost that:
- A. normally incurred at a given level of output
  - B. not normally incurred at a given level of output
  - C. which is charged to customer
  - D. which is included in the cost of the product
- (xv) Conversion cost includes cost of converting ..... into .....
- A. Raw material, WIP
  - B. Raw material, finished goods
  - C. WIP, finished goods
  - D. Finished goods, saleable goods
- (xvi) Calculate the prime cost from the following information:
- Direct material purchased: TZS.1,000,000  
Direct material consumed: TZS.900,000  
Direct labour: TZS.600,000  
Direct expenses: TZS.200,000  
Manufacturing overheads: TZS.300,000
- A. TZS.1,800,000
  - B. TZS.2,000,000
  - C. TZS.1,700,000
  - D. TZS.2,100,000
- (xvii) Out of the following, which one is not the work of Purchases Department?
- A. Receiving purchase requisition
  - B. Exploring the sources of material supply
  - C. Preparation and execution of purchase orders
  - D. Accounting for material received

- (xviii) Economic order quantity is that quantity at which cost of holding and carrying inventory:
- is maximum and equal
  - is minimum and equal
  - is can be maximum or minimum depending upon case to case
  - is minimum and unequal
- (xix) If overtime is resorted to at the desire of the customer, then the overtime premium:
- should be charged to costing profit and loss account
  - should not be charged at all
  - should be charged to the job directly
  - should be charged to the highest profit making department
- (xx) Overhead refers to:
- direct or prime cost
  - all indirect costs
  - only Factory indirect costs
  - only indirect expenses

(40 marks)

## QUESTION 2

FG Ltd specializes in the manufacture of tablet, laptop and desktop Computers. FG Ltd currently operates a standard absorption costing system. Budgeted information for the next year is as given below:

Products	Tablet TZS. '000'	Laptops TZS. '000'	Desktops TZS. '000'	Total TZS. '000'
Sales revenue	3,640	12,480	9,880	26,000
Direct materials	800	2,800	2,200	5,800
Direct labour	300	1,200	800	2,300
Fixed production overheads	<u>1,456</u>	<u>4,992</u>	<u>3,952</u>	<u>10,400</u>
Gross profit	<u>1,084</u>	<u>3,488</u>	<u>2,928</u>	<u>7,500</u>

Fixed production overheads are currently absorbed based on a percentage of sales revenue.

FG Ltd is considering changing to an activity based costing system. The main activities and their associated cost drivers and overhead costs have been identified as follows:

Activity	Cost driver	Production overhead costs TZS.'000'
Manufacturing scheduling	Number of orders	162
Parts handling	Number of parts	2,464
Assembly	Assembly time	4,472
Software installation and testing	Number of software applications	2,000
Packaging	Number of units	1,302
<b>Total</b>		<b>10,400</b>

Further details have also been ascertained as follows:

	Tablet	Laptops	Desktops
Budgeted production for next year (units)	10,000	12,000	6,000
Average number of units per order	10	6	4
Number of parts per unit	20	35	25
Assembly time per units (minutes)	20	40	30
Number of software applications per unit	2	3	4

**REQUIRED:**

- (a) Calculate the total gross profit for each product using the proposed activity based costing system. **(12 marks)**
  - (b) Discuss the differences between the gross profits figures calculated in Part (a) above compared with those calculated under the current absorption costing system. **(8 marks)**
- (Total: 20 marks)**

**QUESTION 3**

- (a) In order for organizations to function effectively, it is important for them to plan ahead of time. Organizational planning is greatly enhanced when standards are established to form the basis of planning and also as a yardstick for measuring performance. When standards are set, budgeting becomes relatively easy to establish. The control process which compares the standards set with the actual achievements ensures that variances are determined and corrective action taken to remedy the deviations and drive the business closely towards its objectives.

**REQUIRED:**

- (i) Explain the meaning of the term “Variance” as used in standard costing. **(2 marks)**
- (ii) Identify and briefly discuss the two basic causes of variances. **(4 marks)**

(b) The following information has been extracted from a flexible budget:

Standard Labour Hours	Overhead Cost
90,000 Hours	TZS.7,000,000
100,000 Hours	TZS.7,500,000

The increase in overheads between these two levels of activity is deemed to be entirely due to variable expenses. The actual activity results for the period are:

Output in standard hours	80,000 Hours
Clock hours worked	90,000 Hours

Overhead costs:

- Fixed                      TZS.2,600,000
- Variable                 TZS.4,800,000

**REQUIRED:**

- (i) Compute the total variable overhead cost variance showing the expenditure variance and efficiency variance separately. **(5 marks)**
- (ii) Compute the total fixed overhead cost variance showing the expenditure, volume, capacity and efficiency variances separately. **(9 marks)**
- (Total: 20 marks)**

**QUESTION 4**

A Company is considering installation of a new computer system using a special written software to streamline the business’s warehousing operations. The initial outlay on the project will be substantial. The Company estimates that payments to the software house will be TZS.10,000,000 immediately, with a further TZS.7,500,000 in a year’s time. New equipment’s installation and testing costs will amount to TZS.14,800,000 during the first year (it should be assumed for appraisal purposes that these costs arise at time 1). The plan is that the new system should go live in one year’s time. Because of the increased efficiency of the operation, the Company expects substantial increases in sales. The net cash flows forecast from the installation of the new systems are as follows:

Time (year)	2	3	4	5	6
Cash flow (TZS. ‘000’)	18,400	15,900	10,800	9,600	4,000

At the end of year six, the Company anticipates that the system will have to be scrapped with no residual value. The Company’s cost of capital is 11%.

**REQUIRED:**

- (a) Calculate the payback period for the project to the nearest whole month. **(6 marks)**



- (b) Calculate the Net Present Value (NPV) of the project. **(10 marks)**
- (c) Briefly set out the arguments in support of the view that discounted cash flow techniques are superior to payback as a method of investment appraisal.

**(4 marks)**

**(Total: 20 marks)**



**EXAMINATION** : **FOUNDATION LEVEL**  
**SUBJECT** : **BUSINESS LAW**  
**CODE** : **A5**  
**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 **SEVEN** questions in this paper.
  2. Answer **ANY FIVE** questions.
  3. All questions carry equal marks.
  4. Credit will be given for answers presented in clear, simple language with sound arguments, supported by relevant statutes and/or case laws.
  5. Reproduction of facts which are given in the question will not earn a candidate any marks.
  6. This question paper comprises **5** printed pages.
-

## QUESTION 1

- (a) Briefly describe the Tanzania legal system. **(10 marks)**
- (b) Write short notes on the following legal terms:  
(i) Criminal law  
(ii) Civil law  
(iii) Statutory law  
(iv) Case law **(8 marks)**
- (c) Identify four (4) statutes relating to theft, forgery, fraud, bribery and money laundering. **(2 marks)**
- (Total: 20 marks)**

## QUESTION 2

- (a) Identify the three conditions which support the existence of a contract of employment. **(6 marks)**
- (b) Section 15(1) of the Employment and Labour Relations Act, 2004 requires an employer to provide an employee with a written statement of particulars or terms of employment.

### **REQUIRED:**

Identify the contents of the statement of particulars. **(6 marks)**

- (c) AVENA Ltd is a tyre manufacturing Company. Recently, it has been discovered that electricity and fuel costs have dramatically skyrocketed which eventually causes production cost to rise by 50%. The Company turns down the idea of increasing its product prices for fear of losing hold of the already established market to imported products which are relatively cheaper. The Company opts to replace manual labour to solar operated automated labour which will necessitate retrenchment of its employees in a bid to reduce production costs.

### **REQUIRED:**

Advise the Board of AVENA Ltd on how to implement the Company's intended retrenchment. **(8 marks)**

**(Total: 20 marks)**

### QUESTION 3

- (a) “Contractual terms can either be conditions, warranties or innominate terms”. Discuss. **(6 marks)**
- (b) Mapesa was a bachelor who lived at Kilimahewa Town in the City of Mishemishe. He was a loner and in ill health. He contracted his sister Chaurembo, who lived in Kwetukwetu town and asked her to move to Kilimahewa to help taking care of him. He promised that if she agrees, he would leave all his properties to her on his death. Chaurembo agreed. She resigned from her job, sold her house and moved away from her friends. She arrived at Kilimahewa and began to take care of her brother. A few months later they had a falling out. Mapesa sold his property and disinherited his sister. Chaurembo is now in a serious legal dilemma and has approached you for legal advice.

**REQUIRED:**

Advise her accordingly. **(7 marks)**

- (c) Babuu and Bibii are elderly couple, with little understanding of English and formal education. They signed a mortgage over their home to Wajamaa Bank, as security for payment of the debts of their son’s business. Their son, Mikopo, led them to believe that his Company was sound when in fact it was in a serious financial mess. When Mikopo’s business went into liquidation, Wajamaa Bank tried to exercise its rights under the mortgage/guarantee. Babuu and Bibii have just approached you for legal advice.

**REQUIRED:**

What is your legal advice to Babuu and Bibii? **(7 marks)**

**(Total: 20 marks)**

### QUESTION 4

- (a) Distinguish between “negligent misrepresentation” and “fraudulent misrepresentation”. **(4 marks)**
- (b) Critically examine the objectives of the law of tort and critically consider how far these objectives are successfully met. **(8 marks)**
- (c) The maxim “*res ipsa loquitur*” makes it easier for the claimant to prove negligence.

**REQUIRED:**

Critically analyse this statement. **(8 marks)**

**(Total: 20 marks)**

## QUESTION 5

Ann is about to attend her first ever annual general meeting of Bongo Plc. The documentation for the meeting mentions various people, but Ann is not sure what their exact roles are within a public limited Company. Also she is not clear about the procedures for voting or how one becomes or ceases to be a director.

### REQUIRED:

- (a) Briefly explain to Ann the role and powers of the following:
- (i) Chairman of the Board
  - (ii) Managing Director **(7 marks)**
- (b) Briefly explain what is meant by:
- (i) A poll vote
  - (ii) A proxy vote **(6 marks)**
- (c) Explain how directors are appointed and may be removed from the office. **(7 marks)**
- (Total: 20 marks)**

## QUESTION 6

Koplo Matata is a famous business man in Tanzania. He has been announced as one of the richest people in the country. He owned several Companies that are all registered and have been functioning in accordance with the laws of the land. During last year 2016, he resigned from being the Chief Executive Officer (CEO) in one of the Companies that he used to own bearing the name KOPLO ENTERPRISES LIMITED (KEL). He announced that after his resignation, he could only act as an advisor and not otherwise because he ceased to be a member.

The Company has been dealing with importing Cosmetics and selling them to various retailer shops in various parts of the country. Early February, 2017 a suit case with cocaine in it was found among the luggages carried in a container on a ship that was carrying cosmetics imported by KEL while in transit from the United States of America to Tanzania. The suit case had a name tag 'KOPLO'. Mr. Koplo Matata has been summoned by police for interrogation but he has absolutely denied existence of any ties between him and KEL since he resigned as the CEO. The issue has triggered different perspectives from people on whether Koplo Matata was part of the drug deal or not. Some of your friends are eager to know the legal position taking into account that the fact you have studied a course on business law.

**REQUIRED:**

Advise them on the following:-

- (a) The legal action to be taken to inquire whether Mr. Koplo is part of the Company or not. **(4 marks)**
  - (b) The circumstances which can lead to (a) above? **(8 marks)**
  - (c) Suppose it is discovered that Koplo Matata is still part of KEL and also took part in the drug deal what are the possible consequences of KEL? **(8 marks)**
- (Total: 20 marks)**

**QUESTION 7**

- (a) Mention and explain the essential features of a partnership. **(6 marks)**
- (b) Dan, Kan and Jus are general partners in a merchandising firm. Having contributed equal amounts to the capital, they also agree on equal distribution of whatever net profit or loss is realized. After two years of operation, however, Jus conveys her whole interest in the partnership to Tine, without the knowledge and consent of Dan and Kan.

**REQUIRED:**

- (i) What is the name given to the act of Jus conveying her interests in the partnership to Tine? **(3 marks)**
  - (ii) Is the partnership dissolved? Explain. **(3 marks)**
  - (iii) What are the rights of Tine, if any, should she desire to participate in the management of the partnership and in the distribution of a net profit of TZS.360,000,000. **(3 marks)**
- (c) Explain the phrase ‘dissolution of partnership’. **(5 marks)**
- (Total: 20 marks)**



**SUGGESTED SOLUTIONS**  
**A1 – QUANTITATIVE TECHNIQUES**  
**MAY 2019**

**ANSWER 1**

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

**ANSWER 2**

$$(a) \quad (i) \quad P(6,4) = \frac{6!}{(6-4)!} = \frac{6 \times 5 \times 4 \times 3 \times 2!}{2!} = 360$$

$$(ii) \quad C(9,5) = {}^9C_5 = \frac{9!}{5!4!} = \frac{9 \times 8 \times 7 \times 6 \times 5!}{5! \times 4!} = \frac{9 \times 8 \times 7 \times 6}{4 \times 3 \times 2} = 126$$

$$(iii) \quad nP_4 = \frac{n!}{(n-4)!} \text{ and } nP_2 = \frac{n!}{(n-2)!}$$

$$\text{Now } \frac{n!}{(n-4)!} = 12 \cdot \frac{n!}{(n-2)!}$$

$$12(n-4)! = (n-2)!$$

$$12(n-4)! = (n-2)(n-3)(n-4)!$$

$$12 = n^2 - 5n + 6$$

$$\rightarrow n^2 - 5n - 6 = 0$$

$$(n-6)(n+1) = 0$$

$$\rightarrow n = 6 \text{ or } n = -1$$

Since  $n$  is a positive integer, reject  $n = -1$

$$\therefore n = 6$$

(b) (i) Pay off table is a tabular presentation of the payoffs for a decision problem

(ii) Maximax is a maximization decision criterion for decisions under uncertainty that seeks to maximize the maximum payoff.

(c) Decision environments ( Any two)

- Decision making under certainty – This decision environment involves choosing the decision alternative when the state of nature known.
- Decision making under uncertainty – This decision environment involves choosing the decision when the state of nature is not known.
- Decision making under risk – This decision environment involves choosing the decision when the state of nature is not known but the decision maker has information which will support the assignment of probability values to each of the possible events.



(d) The Computation of expected values for various acts

State of Nature									
	X	P(x)	X.P(x)	Y	P(Y)	Y.P(Y)	Z	P(z)	Z
Good	30	0.7	21	60	0.5	30	40	0.4	16
Moderate	20	0.2	4	30	0.3	9	10	0.5	5
Poor	10	0.1	1	20	0.2	4	-	0.1	-1.5
Expected Monetary Value			26			43			19.5

Since the expected value is highest for second course of action, the management is advised to produce Product Y.

### ANSWER 3

(a) (i)  $Y = 2x^2 (5x + 3)$

Let  $u = 2x^2$  and  $v = 5x + 3$

$$\frac{du}{dx} = 4x \quad \frac{dv}{dx} = 5$$

Product rule gives  $\frac{dy}{dx} = \frac{Udv}{dx} + \frac{Vdy}{dx}$

$$= 2x^2 \cdot 5 + (5x + 3) 4x$$

$$= 10x^2 + 20x^2 + 12x$$

$$\therefore \frac{dy}{dx} = 30x^2 + 12x$$

(ii)  $\int x (x^2 + 1)^{3/2} dx$

Let  $u = x^2 + 1 \rightarrow \frac{du}{dx} = 2x \Rightarrow dx = \frac{du}{2x}$

$$\therefore \int x (x^2 + 1)^{3/2} dx = \int x \cdot U^{3/2} \cdot \frac{du}{2x}$$

$$= \frac{1}{2} \int U^{3/2} du$$

$$= \frac{1}{2} \cdot \frac{U^{5/2}}{5/2} + C = \frac{1}{5} u^{5/2} + C$$

But  $u = x^2 + 1$

$$\therefore \int x (x^2 + 1)^{3/2} dx = \frac{1}{5} (x^2 + 1)^{5/2} + C$$

- (b) Given Total Revenue (TR) and Total Cost (TC) functions;  
Profit, denoted by  $\pi = TR - TC$  .....(i)

$$\begin{aligned}\Pi &= 40y - 8y^2 - (8 + 16y - y^2) \\ &= 40y - 8y^2 - 8 - 16y + y^2\end{aligned}$$

$$\Pi = 24y - 7y^2 - 8 \quad \text{.....} \quad \text{(ii)}$$

The maximum profit ( $\Pi$  max) will occur when differentiating the profit function and equate to zero;

$$\Rightarrow \frac{d\Pi}{dy} = 24 - 14y = 0 \quad \text{.....} \quad \text{(iii)}$$

$$\Rightarrow 24 = 14y$$

$$\Rightarrow y = \frac{24}{14} = 1.714 \text{ units}$$

To obtain the maximum output level, we use second derivative test in equation (iii) above;

$$\frac{d^2\Pi}{dy^2} = -14 \text{ which is found to be negative and thus maximum.}$$

$\therefore$  The maximum profit will occur at the level of output  $y = 1714$  units.

#### ANSWER 4

- (a) The hypothesis tested is

$$H_0 : \rho = 0 \quad \text{Versus } H_A : \rho \neq 0$$

The test statistic is t- distribution with  $n - 2$  degrees of freedom; i.e.

$$t = \frac{\frac{r - P}{\sqrt{1 - r^2}}}{\sqrt{\frac{n - 2}{n - 2}}} = \frac{r - 0}{\sqrt{1 - r^2}} = \frac{r\sqrt{n - 2}}{\sqrt{1 - r^2}}$$

(Since  $\rho = 0$ )

Data given are:  $r = 0.2$ ,  $n = 32$

$$\therefore t = \frac{0.2\sqrt{32 - 2}}{\sqrt{1 - 0.2^2}} = \frac{0.2\sqrt{30}}{\sqrt{0.96}} = 1.11803$$

The critical t- value for a 5% level of significance and  $(32 - 2)$  degrees of freedom is 2.042.

#### Conclusion:

There is no correlation since 1.118 falls between the two critical values of 2.042.

(b) The required regression equation is

(i)  $\text{Weight} = a + (\text{height}) b$

i.e.  $y = a + bx$

Where  $y = \text{weight}$

$x = \text{height}$

	<b>x</b>	<b>x-xBar</b>	<b>y</b>	<b>y-yBar</b>	<b>(x-xBar)(y-yBar)</b>	<b>(x-xBar)<sup>2</sup></b>
1	76	2.2857	212	10.1429	23.18367347	5.2245
2	76	2.2857	224	22.1429	50.6122449	5.2245
3	72	-1.7143	180	-21.8571	37.46938776	2.9388
4	74	0.2857	210	8.1429	2.326530612	0.0816
5	75	1.2857	215	13.1429	16.89795918	1.6531
6	71	-2.7143	200	-1.8571	5.040816327	7.3673
7	77	3.2857	235	33.1429	108.8979592	10.7959
8	78	4.2857	235	33.1429	142.0408163	18.3673
9	77	3.2857	194	-7.8571	-25.81632653	10.7959
10	76	2.2857	185	-16.8571	-38.53061224	5.2245
11	72	-1.7143	180	-21.8571	37.46938776	2.9388
12	72	-1.7143	170	-31.8571	54.6122449	2.9388
13	75	1.2857	220	18.1429	23.32653061	1.6531
14	74	0.2857	228	26.1429	7.469387755	0.0816
15	73	-0.7143	210	8.1429	-5.816326531	0.5102
16	72	-1.7143	180	-21.8571	37.46938776	2.9388
17	70	-3.7143	185	-16.8571	62.6122449	13.7959
18	73	-0.7143	190	-11.8571	8.469387755	0.5102
19	71	-2.7143	186	-15.8571	43.04081633	7.3673
20	74	0.2857	200	-1.8571	-0.530612245	0.0816
21	70	-3.7143	200	-1.8571	6.897959184	13.7959
<b>Total</b>	<b>1548</b>	<b>0.0000</b>	<b>4239</b>	<b>0.0000</b>	<b>-1.09052E-26</b>	<b>0.0000</b>
<b>Average</b>	<b>73.714</b> <b>3</b>		<b>201.</b> <b>8571</b>		<b>597.1428571</b>	<b>114.2857</b>

Thus

$$\frac{\sum (x - \bar{x})(y - \bar{y})}{n} = 597.14$$

$$\frac{\sum (x - \bar{x})^2}{n} = 114.29$$

$$\bar{x} = 73.71 \quad \bar{y} = 201.86$$

	<b>x</b>	<b>y</b>	<b>xy</b>	<b>x<sup>2</sup></b>
	76	212	16112	5776
	76	224	17024	5776
	72	180	12960	5184
	74	210	15540	5476
	75	215	16125	5625
	71	200	14200	5041
	77	235	18095	5929
	78	235	18330	6084
	77	194	14938	5929
	76	185	14060	5776
	72	180	12960	5184
	72	170	12240	5184
	75	220	16500	5625
	74	228	16872	5476
	73	210	15330	5329
	72	180	12960	5184
	70	185	12950	4900
	73	190	13870	5329
	71	186	13206	5041
	74	200	14800	5476
	70	200	14000	4900
<b>Total</b>	<b>1548</b>	<b>4239</b>	<b>313072</b>	<b>114224</b>
<b>Average</b>	<b>73.7143</b>	<b>201.8571</b>		

Now  $a = \bar{y} - b\bar{x}$   

$$b = \frac{\sum(x - \bar{x})(y - \bar{y})}{\sum(x - \bar{x})^2}$$

From the table

$$b = \frac{597.14}{114.27} = 5.23$$

Substitute  $b = 5.23$  in  $a = \bar{y} - b\bar{x}$

$$\begin{aligned} \text{We have } a &= 201.86 - 5.23(73.71) \\ &= -183.64 \end{aligned}$$

Thus the regression equation becomes:

$$\text{Weight} = -183.64 + 5.23 \text{ height}$$

(ii) The weight of a baseball player that is 75 inches tall is:

$$\begin{aligned} \text{Weight} &= -183.64 + 5.23 \times 75 \\ &= 208.6 \approx 209 \text{ pounds.} \end{aligned}$$

(c) (i) We are given the following information:

Let  $D$  = annual demand

$$= (2 \text{ tires per bicycle}) \times (450 \text{ bicycles / month})$$

$X$  (12 months in a year)

$$= 10,800 \text{ tires}$$

$C_o$  = ordering cost = \$ 50 per order

$$C_H = \text{holding cost}$$

$$= (15\%) \times (\$ 20 \text{ per unit}) = \$ 3.00 \text{ per unit per year}$$

So that

$$EOQ = \sqrt{\frac{2DC_o}{C_H}}$$

$$= \sqrt{\frac{(2 \times 10,800 \times 50)}{3}} = \sqrt{360,000}$$

$$\approx \underline{600 \text{ tires}}$$

The company should order about 600 tires each time it places an order.

(ii) To get the average annual ordering cost we need to determine number of

$$\text{orders per year} = \frac{D}{EOQ} = \frac{10,800}{600} = 18 \text{ orders per year}$$

Average annual ordering cost = (18 orders per annum)

Times (\$ 50 per order)

= \$ 900 per year

= TZS (900 x 2350) = TZS.2,115,000

(iii) The average inventory =  $\frac{EOQ}{2}$

$$= \frac{600}{2}$$

$$= \underline{300 \text{ tires}}$$



**SUGGESTED SOLUTIONS**  
**A2 – BUSINESS AND MANAGEMENT**  
**MAY 2019**

**ANSWER 1**

- (a)
- |       |   |      |   |        |   |     |   |
|-------|---|------|---|--------|---|-----|---|
| (i)   | A | (iv) | D | (vii)  | D | (x) | D |
| (ii)  | C | (v)  | A | (viii) | A |     |   |
| (iii) | A | (vi) | B | (ix)   | C |     |   |
- (b)
- |        |   |    |     |    |   |
|--------|---|----|-----|----|---|
| LIST A | I | II | III | IV | V |
| LIST B | D | G  | A   | E  | C |
- (c)
- |          |      |      |       |      |       |
|----------|------|------|-------|------|-------|
| Item     | I    | II   | III   | IV   | V     |
| Response | TRUE | TRUE | FALSE | TRUE | FALSE |

**ANSWER 2**

- (a) (i) **Four Fundamental principles of professional ethics**
- **Integrity** is a principle that requires members to be “straightforward and honest in all professional and business relationships”. In addition, members must also not be associated with or “sign off” on any fraudulent or inaccurate financial reports and/or statements.
  - **Objectivity**, a professional accountant should be objective or unbiased. For all professional decisions which are to be taken, accountants must ensure that there is no conflict of interest. Therefore, all of their findings and judgments should be based solely upon sound rationale and research.
  - **Professional Competence and Due Care**, a professional accountant must ensure that he has the necessary professional skill and knowledge and practices in the profession.
  - **Confidentiality**, is a principle that requires that accountants never disclose any confidential information concerning their clients or organizations to any other third party (apart from their staff who are also bound by the same confidentiality)
  - **Professional behavior**, for instance the IFAC requires its members to comply with relevant laws and regulations and avoid any action that brings discredit the profession. The NBAA echoes this responsibility in its standards and also adds that its members must “behave with courtesy and consideration towards all with whom they come into contact in a professional capacity”.

(ii) **The importance of ethics to organization and individuals**

Organizations are expected to have an ethical responsibility to their shareholders and stakeholders, as well as to society at large. Organizations are expected not to take decisions or engage in activities that will hurt the interests of any of these groups. In addition, organizations are expected to “give back” to society through donations or by sponsoring welfare activities.

Individuals have a basic level of trust with one another because they expect people to have a basic set of ethics. This trust level sets the foundation from which people interact with each other on social and business levels. It is also what allows society to function as a whole. Having a system of ethics is as important as having a legal system.

(b) (i) Explain how the principle of utilitarian as the foundation for the business to practice corporate social responsibility (CSR)

- The principle focuses solely on the business action and its consequences to the community i.e. customers and others
- Looking into the happiness as the ultimate end of the action to the customers carried out by the business, the enjoyment based on the quality and quantity offered.
- Equality leads into the business to treat others fairly  
Thus the principle put an emphasis on how the business has to recognize and focus on treating everybody individually and not collectively.

(c) **Four components of Corporate Governance**

- **Accountability:** managers, executives and the board of directors are ultimately responsible to and must always act with the best interests of shareholders (e.g. all strategies and operations of the organization must be planned and carried out so as to ultimately maximize shareholder wealth).
- **Compliance:** managers, executives and the board of directors must always comply with all laws and regulations (e.g. if the organization operates in a country with a minimum wage law, all employees of the organization must be paid at least this amount).
- **Transparency:** information on the financial performance and position of the organization as well as any activities the organization is engaged in should always be available and known to shareholders (e.g. if an organization buys over another business it should make this information known to its existing shareholders).

- **Integrity:** managers, executives and the board of directors must always behave in an ethical manner. Their actions and decisions should represent not only what is legal but also what is morally right (e.g. must multinational organizations do not allow their overseas factories to use child labor even if the practice is legal in that particular country).

### ANSWER 3

- (a) Michael Porter's factors that influence intensity of industrial competitiveness
- Bargaining power of suppliers
  - Threat of new entrants
  - Threat of substitutes
  - Bargaining power of buyers
  - Industry rivalry
- (b) Five dissatisfiers of employees according to Herzberg's theory
- Company policy and administrations
  - Supervision-technical aspects
  - Salary
  - Interpersonal relationships
  - Working conditions
- (c) Functions of financial intermediaries
- Financial intermediaries are referred as financial institutions such as banks, insurance company, investment banks, and pension funds. They provide financial services to individuals' company and even government to save or borrow
- Facilitate flow of funds
  - Efficient allocation of funds
  - Assistance in price discovery
  - Provision of capital to feasible business activities
  - Risk transformations
  - Safe access of money/funds
- (d) Disadvantages of long term loans for business
- Long term loans refer to type of business financing that maturity date of loan extends past a year even for 20yrs. Mostly used to finance long term projects such as business, business expansion, plant, purchasing of property and equipment
  - Expensive in total interests as they last for many years that means the longer the time to repay loan the high the total interest



- Restricts monthly cash flow as it reduces the business income for long period of time
- Long and stringent application due to fact that long term loans normally involve huge amount of money
- Delay access to capital for business.

#### ANSWER 4

- (a) With examples discuss five environment factors affecting a business

**Economic factors:** includes economic conditions and economic policies that together constitute the economic environment. These include growth rate, inflation, restrictive trade practices etc. Which have a considerable impact on the business.

**Social factors:** includes the society as a whole alongside its preferences and priorities like the buying and consumption pattern, beliefs of people their purchasing power, educational background

**Political factors:** These related to the management of public affairs and their impact on the business. It is important to have a political stability to maintain stability in the trade.

**Technological factors:** helps in improving the marketability of the product plus makes it more consumers friendly. Therefore, it is important for a business to keep a pace with the changing technologies in order to survive in the long run.

- (b) Explain how motivation to employees can boost the organization performance.

**Profitability operations:** Motivation is an important tool that leads the organization in profitable operations. Motivated workers perform their duties with full responsibility. The development of self-responsibility among the workers contributes to the best utilization of available resources like times, materials, money, machines and others.

**High level of productivity:** Motivation contributes to develop working efficiency of employees. When employees are actually motivated they improve their working efficiency. The development of working efficiency among workers leads to maximize production and productivity. Management can expand its business activities in large areas for organizational profitability and growth.

**Best remedy for resistance to change:** The change in the management system and organizational structure is essential to adjust an organization and its business activities according to changing environment. In some situation workers, specially, their unions may create resistance to change. They think

about their job security and stability. The motivated workers have knowledge about the outcome of changes.

**Effective use of human resources:** Manpower is the main active factor of production and is responsible for the best utilization of organizational resources. Motivation is the main instrument which creates the willingness among workers to do their work in the best possible way. In other words, motivated employees make the best utilization of their skills, knowledge, capabilities etc. in the existing environment.

- (c) Issues that need to be considered when designing a quality organizational policy include:
- (i) It should be designed to support accomplishment of organizational objectives. The policy should demonstrate ability to guide decisions that support achievement of objectives.
  - (ii) It should be simple, clear, direct and easy to understand and use. Policies need to be well understood by the users so that they can easily translate the policies into real organizational life (adhere to the requirement of the policy).
  - (iii) A policy should be flexible to accommodate changes from both internal and external environments.
  - (iv) A policy designed should reflect sound judgment. Decision made about policy should be reasonable and accepted by the organization member intended for.
  - (v) A policy should have presented in writing and disseminated to users.
  - (vi) A policy should ensure elimination of friction and disagreement between different sections of the organization in use of the policy.



**SUGGESTED SOLUTIONS**  
**A3 – ACCOUNTING**  
**MAY 2019**

**ANSWER 1**

(i)	B
(ii)	B
(iii)	C
(iv)	B
(v)	C
(vi)	B
(vii)	C
(viii)	B
(ix)	A
(x)	C
(xi)	C
(xii)	C
(xiii)	C
(xiv)	C
(xv)	C
(xvi)	A
(xvii)	C
(xviii)	B
(xix)	A
(xx)	C

## ANSWER 2

(i) **Adjusted Debtors Control Account**

	TZS.'000'		TZS.'000'
Balance b/d	27,000	Balance b/d	650
Interest (65 – 59)	6	Discount allowed	330
Sales returns	15	Contra	280
Balance c/d		Balance c/d	<u>25,76</u>
	<u>27,021</u>		<u>27,021</u>
Balance b/d	25,761		

(ii) **Schedule of Debtors Accounts Balances**

	TZS.'000'	TZS.'000'
Balance as per list of debtors		25,396
<b>Add:</b>		
Sales – cash and credit		<u>2,200</u>
		27,596
<b>Deduct</b>		
Discount allowed	120	
Interest	30	
Contra	550	
Bills received	1,120	
Sales return	<u>15</u>	<u>(1,835)</u>
Net balance as per adjusted control account		<u>25,761</u>

(iii) **Why debtors control accounts should be prepared**

1. They act as a check on the accuracy of the ledgers by comparing the balance of the control account with the total as per the schedule.
2. They locate errors quickly and narrow searching for errors to confined areas.
3. They are useful when a firm needs to find credit sales from incomplete records.
4. They allow amounts owed by debtors to be ascertained quickly by simply balancing the control accounts.

**Limitations of control accounts**

1. Control accounts do not identify which ledger account may contain an error.
2. Some types of errors are not revealed by the control account such as errors of commission, errors of omission, compensating errors, and errors of original entry.

### ANSWER 3

(a)

#### Statement of affairs as on 1<sup>st</sup> January, 2018

Liabilities	Amount TZS. '000'	Assets	Amount TZS. '000'
Creditors	7,000	Cash in hand	3,000
Capital (balance figure) (Opening capital)	28,000	Bank balance	15,000
		Debtors	5,000
		Stock	10,000
		Furniture	<u>2,000</u>
	<u>35,000</u>		<u>35,000</u>

#### Statement of affairs as on 31<sup>st</sup> December, 2018

Liabilities	Amount TZS. '000'	Assets	Amount TZS. '000'
Creditors	8000	Cash in hand	3,500
Capital (balance figure) (Closing capital)	32,500	Bank balance	16,000
		Debtors	6,000
		Stock	13,000
		Furniture	<u>2,000</u>
	<u>40,500</u>		<u>40,500</u>

$$\begin{aligned} \text{Profit for the year} &= \text{Closing Capital} - \text{Opening Capital} + \text{Drawings} - \text{Additional Capital} \\ \text{Profit for the year ended 31<sup>st</sup> December 2018} \\ &= 32,500,000 - 28,000,000 + 10,000,000 - 5,000,000 = \underline{9,500,000.} \end{aligned}$$

#### Alternatively: Statement of profit for the year ending 31<sup>st</sup> December, 2018

	TZS. '000'
Closing capital as on 31-12-2018	32,500
<b>Add:</b> Drawings	<u>10,000</u>
	42,500
<b>Less:</b> further capital introduced	<u>5,000</u>
	37,500
<b>Less:</b> Opening capital as on 1-1-2018	<u>28,000</u>
Profit for the year	<u>9,500</u>

**Points to be remembered:** If opening capital is given but closing capital is not given, only one statement of affairs will be prepared to find closing capital.

- (b) (i) **Going concern**  
Under the going concern concept, users of financial statements are entitled to assume that the business will continue for the foreseeable future, and the financial statements are prepared on this basis. If this concept does not apply, this must be made clear in the financial statements and it will affect some items such as the valuation of assets.
- (ii) **Accrual Concept/Matching Concept**  
Under the accruals concept, transactions are recognized in the financial statements in the period in which they occur, rather than in period in

which any related cash is received or paid. This enables users to see the true trading position, undistorted by any cash management issues, and also gives them valuable information regarding outstanding assets and liabilities.

- (iii) **Prudence / Concept of Conservatism**  
Prudence is important when dealing with estimates and uncertainties in financial information. Under this concept, preparers of financial statements must exercise a degree of caution when making judgements under conditions of uncertainty.
- (iv) **Consistency**  
Means the financial statement should be prepared in the same manner period after period.
- (v) **Business entity**  
For accounting purpose, business entity concept treats the business entity as having a separate existence from the owner.

#### ANSWER 4

**KONGWA WELFARE SOCIETY**  
**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED**  
**31<sup>ST</sup> MARCH 2017**

<b>Incomes</b>	<b>Amount</b>
	<b>TZS. '000'</b>
Subscriptions for 2016/17 (110 x 2,310,000)	254,100
Interest on Investment (10% x 165,000,000)	16,500
Profit on sale of old Furniture	-
Miscellaneous Receipts	79,408
Legacies	<u>7,920</u>
<b>TOTAL INCOME</b>	<b><u>357,928</u></b>
 <b>LESS: EXPENDITURES</b>	
Salaries and wages	142,802
Rate and Taxes	6,809
Entertainment Material used (64,020 – 2,220 – 28,732)	33,088
Office expenses	8,602
Telephone charges	2,860
Interest charges      1,320	
<b>Add: Outstanding</b> <u>1,600</u>	2,970
 <b>Depreciations</b>	
Furniture	17,600
Machinery	12,320
Fax machinery	<u>3,740</u>
<b>TOTAL EXPENDITURES</b>	<b><u>230,000</u></b>
<b>EXCESS OF INCOME OVER EXPENDITURE</b> (SURPLUS)	<b>127,137</b>

**KONGWA WELFARE SOCIETY**  
**STATEMENT OF FINANCIAL POSITION AS AT 31<sup>ST</sup> MARCH 2017**

Assets	Amount TZS. '000'	Amount TZS. '000'
<b>Non Current Assets</b>		
Furniture	88,000	
<b>Less: Depreciation 20%</b>	<u>(17,600)</u>	70,400
10% Investments		121,000
Musical Investments		13,420
Machinery	61,600	
<b>Less: Depreciation 20%</b>	<u>(12,320)</u>	49,280
Fax Machinery	18,700	
<b>Less: Depreciation 20%</b>	<u>(3,740)</u>	14,960
Work in Progress - Buildings		16,500
<b>Current Assets</b>		
Outstanding Interest on Investments (10% x 165,000,000)		16,500
Entertainment Material (Inventory)		28,732
Subscription in Arrears		<u>17,600</u>
<b>Total Assets</b>		<b><u>497,067</u></b>
Accumulated Fund (Opening)		42,020
<b>Add: Surplus during the period</b>		<u>127,137</u>
		169,157
Donation (46,200 – 16,500)		29,700
Subscription (Missing/unwanted Fund)		222,750
<b>Current Liabilities</b>		
Entertainment outstanding		5,500
Subscription in Advance		2,310
Building Funds		55,000
Interest charges		1,650
Deposit on 10% Investments		<u>11,000</u>
<b>Total Liabilities and Equity</b>		<b><u>497,067</u></b>

**SUBSCRIPTION A/C**

		Bal b/d (balancing)	236,500,000
		<b>Cash Received</b>	
Subscription for the year		2016 – 2017	8,910,000
(110 x 2,310,000)	254,100,000	2017 – 2018	231,000,000
		Boko 2019	2,750,000
Bal c/d	2,310,000	Bal c/d	17,600,000
Missing (unaccounted )	<u>222,750,000</u>		
	479,160,000		<u>479,160,000</u>

**SUGGESTED SOLUTIONS**  
**A4 – BUSINESS INFORMATION**  
**MAY 2019**

**ANSWER 1**

i	ii	iii	iv	v	vi	vii	viii	ix	x	xi	xii	xiii	xiv	xv	xvi	xvii	xviii	xix	xx
A	A	B	D	B	C	B	A	C	C	D	A	C	B	B	C	D	B	C	B

**ANSWER 2**

- (a) To calculate the total gross profit for each product using the proposed activity based cost system

	Tablets	Laptops	Desktop	Total
Budgeted production per annum (units)	10,000	12,000	6,000	28,000
Average number of units per order	10	6	4	-
Number of orders	1,000	2,000	1,500	4,500
Number of parts per unit	20	35	25	-
Total number of parts per unit	200,000	420,000	150,000	770,000
Assembly time per units (minutes)	20	40	30	-
Total assembly time (minutes)	200,000	480,000	180,000	860,000
Software applications per units	2	3	4	-
Total number of software applications	20,000	36,000	24,000	80,000

Activity	Activity Cost (000)	Cost driver	Cost driver rate
Manufacturing scheduling	162	Number of orders	TZS. 162,000/4500=TZS. 36 per order
Parts handling	2,464	Number of parts	2,464,000/770,000= 3.2 per part
Assembly	4,472	Assembly time	4,472,000/860,000= 5.2 per minute
Software installation and testing	2,000	Number of software applications	2,000,000/80,000 = TZS. 25.00 per application
Packaging	1,302	Number of units	TZS. 1,302,000/28,000 = TZS. 46.50 per units
	10,400		

Working

$$\begin{aligned} \text{(i) Tablets} &= (1,000 \times 36) + (200,000 \times 3.2) + (200,000 \times 5.2) + (20,000 \times 25) + (10,000 \times 46.5) \\ &= 2,681,000 \end{aligned}$$

$$\begin{aligned} \text{(ii) Laptops} &= (2,000 \times 36) + (420,000 \times 3.2) + (480,000 \times 5.2) + (36,000 \times 25) + \\ &\quad (12,000 \times 46.5) \end{aligned}$$



$$\begin{aligned}
 &= 5,370,000 \\
 \text{(iii) Desktops} &= (1,500 \times 36) + (150,000 \times 3.2) + (180,000 \times 5.2) + (24,000 \times 25) + (6,000 \\
 &\quad \times 46.5) \\
 &= 2,349,000
 \end{aligned}$$

#### OVERHEAD ESTIMATIONS UNDER ABC SYSTEM

	Tablets	Laptops	Desktops	Total
	TZS. 000	TZS. 000	TZS. 000	TZS. 000
Manufacturing costs 1,000 x 36	36,000	72,000	54,000	
Handing costs	640,000	1,344,000	480,000	
Assembly costs	1,040,000	2,496,000	936,000	
Software Installation	500,000	900,000	600,000	
Packaging	465,000	558,000	279,000	
	2,681,000	5,370,000	2,349,000	

#### TOTAL GROSS PROFIT USING ABC SYSTEM

	Tablets	Laptops	Desktops	Total
	TZS. 000	TZS. 000	TZS. 000	TZS. 000
Sales	3,640,000	12,480,000	9,880,000	
Direct material cost	(800,000)	(2,800,000)	(2,200,000)	
Direct labour cost	(300,000)	(1,200,000)	(800,000)	
Production overheads	(2,681,000)	(5,370,000)	(2,349,000)	
Gross profit	(141,000)	3,110,000	4,531,000	
Comparison: (TRADITIONAL)	1,084,000	3,488,000	2,928,000	

- (b) It can be seen from the figures in the table above that under the activity based costing system there is a completely different picture of the profitability of each of the products. Under the traditional absorption costing system each of the products was making a very similar gross profit margin of around 30%. However under the activity based costing system, Tablets are now shown to be loss making and all-in- one PCs are making a significantly higher gross profit margin, at 45.9%, than originally thought. The gross profit margin for laptops has declined slightly from 27.9% to 24.9%.

Under the traditional absorption costing system, production overheads were charged to products based on sales revenue. This meant that Tablets which has a relatively low proportion of the total sales revenue (14%) was charged a relatively low level of fixed production overheads. When the activity based costing system is used and the actual consumption of activities is considered Tablets are charged significantly more production overheads than before. Whilst Tablets has the lowest number of cost drivers for most of the activities it also has a relatively lower selling price than the other products for example the ratio of parts per unit is 20:35:25 for Tablets, laptops and all-in-one PCs but the ratio of selling prices is 12:34:54. All-in-one PCs gross profit percentage is significantly higher under activity based costing since whilst it has the second highest number of cost drivers for parts per unit and assembly time per unit it has the highest selling price per unit compared to the other two products. This

information will be useful for the company when making decisions about product pricing and product mix.

### ANSWER 3

(a) Standard costing

(i) A variance is any deviation from what is expected to be the level of performance under given working conditions. It is the difference between the standard cost margin allowed for the actual output and the actual cost incurred or actual margin earned for the actual output.

(ii) The two basic causes of variances are:

- Using more or less quantity of materials or labor hours per unit of output than expected. This may be due to using superior or inferior inputs or more/less efficient use of inputs.
- Paying a higher or lower rate per unit material or labor. This can be influenced by the quality of the inputs.

(b) Variances

(i) Compute the total variable overhead cost variance

$$\begin{aligned} &= \text{Standard Variable Overhead Cost} - \text{Actual Variable Overhead Cost} \\ &= (80,000 \text{ Hrs} \times \text{TZS. } 50) - 4,800,000 \\ &= \text{TZS. } 800,000 \text{ A} \end{aligned}$$

• Variable Overhead Expenditure Variance:

$$\begin{aligned} &= (\text{Actual hours worked @ VOAR}) - \text{Actual Variable Overhead} \\ &= (90,000 \text{ hours} \times \text{TZS. } 50) - 4,800,000 \\ &= \text{TZS. } 300,000 \text{ A} \end{aligned}$$

• Variable Overhead Efficiency Variance:

$$\begin{aligned} &= (\text{Standard Hours allowed} - \text{Actual Hours worked}) \times \text{VOAR} \\ &= (80,000 \text{ hours} - 90,000 \text{ hours}) \times \text{TZS. } 50 \\ &= \text{TZS. } 500,000 \text{ A} \end{aligned}$$

(ii) Fixed Overhead Cost Variance:

$$\begin{aligned} &= \text{Standard Fixed Overhead} - \text{Cost Actual Fixed Overhead Cost} \\ &= (80,000 \text{ hours} \times \text{TZS. } 25) - \text{TZS. } 2,600,000 \\ &= \text{TZS. } 600,000 \text{ A} \end{aligned}$$

• Fixed Overhead Expenditure Variance:

$$= \text{Budgeted Fixed Overheads} - \text{Actual Fixed Overheads}$$

$$= \text{TZS. } 2,500,000 - \text{TZS. } 2,600,000$$

$$= \text{TZS. } 100,000 \text{ A}$$

- Fixed Overhead Volume Variance:

$$= (\text{Budgeted hours} - \text{Standard Hours Allowed}) \times \text{FOAR}$$

$$= (100,000 \text{ hours} - 80,000 \text{ hours}) \times \text{TZS. } 25$$

$$= \text{TZS. } 500,000 \text{ A}$$

- Fixed Overhead Efficiency Variance:

$$= (\text{Standard Hours Allowed} - \text{Actual Hours}) \times \text{FOAR}$$

$$= (80,000 \text{ hours} - 90,000 \text{ hours}) \times \text{TZS. } 25$$

$$= \text{TZS. } 250,000 \text{ A}$$

- Fixed Overhead Capacity Variance:

$$= (\text{Actual Hours} - \text{Budgeted Hours}) \times \text{FOAR}$$

$$= (90,000 \text{ hours} - 100,000 \text{ hours}) \times 25$$

$$= \text{TZS. } 250,000 \text{ A}$$

## WORKINGS

Budgeted data:

	<b>Activity Level Labor hours</b>	<b>Cost TZS.</b>
High activity	100,000	7,500,000
Low activity	90,000	7,000,000
	10,000	500,000

Change in cost as a result of change in standard labor hours

$$= \frac{\text{TZS. } 500,000}{10,000 \text{ hours}}$$

$$= \text{TZS. } 50 \text{ per standard labor hour}$$

Using the high activity as that for the original budget we have the following:

	<b>TZS.</b>
Total Overhead Cost	7,500,000
Variable Overhead (100,000 hrs. @ TZS.50)	<u>5,000,000</u>
Fixed Overhead	<u>2,500,000</u>

Thus:  
 Budgeted Fixed Overhead = TZS. 2,500,000  
 Variable Overhead Absorption Rate (VOAR) = TZS. 50 per labor hour

$$\text{FOAR} = \frac{\text{TZS. 2,500,000}}{100,000 \text{ hours}} = \text{TZS. 25 per hour}$$

#### ANSWER 4

(a) Payback period

Time	Cash flows TZS.	Cumulative Cash flows TZS.
0	(10,000,000)	(10,000,000)
1	(7,500,000)	(17,500,000)
1	(14,800,000)	(32,300,000)
2	18,400,000	(13,900,000)
3	15,900,000	2,000,000
4	10,800,000	12,800,000
5	9,600,000	22,400,000
6	4,000,000	26,400,000

Cumulative cash flow reaches the zero position some time during the third year.  
 Payback to the nearest whole month is:

$$2 \text{ years} + (13,900,000 / 15,900,000 \times 12 \text{ months}) = 2 \text{ years } 10 \text{ months}$$

(b) Calculate the NPV of the project

Time	Cash flow TZS.	DF @ 11%	Discounted Cash flow TZS.
0	(10,000,000)	1.000	(10,000,000)
1	(7,500,000)	0.9009	(6,756,750)
1	(14,800,000)	0.9009	(13,333,320)
2	18,400,000	0.8116	14,933,440
3	15,900,000	0.7312	11,626,080
4	10,800,000	0.6587	7,113,960
5	9,600,000	0.5935	5,697,600
6	4,000,000	0.5346	2,138,400
<b>Total</b>			<b><u>11,419,410</u></b>

- (c) Payback is very straightforward investment appraisal technique which is popular because it is easy both to calculate and to understand. However, it emphasizes just one single aspect of investment appraisal – the ability to pay back quickly. It ignores cash flows which arise after the point of payback and so does not look at the total cash flows expected to arise from the project. Discounted cash flow techniques address some of the limitations of payback. All cash flows are considered, and the time value of money (which is important) is also taken into account. In most cases relating to capital investment appraisal, business managers should employ more than one technique to assist them in reaching a decision.



**SUGGESTED SOLUTIONS**  
**A5 – BUSINESS LAW**  
**MAY 2019**

**ANSWER 1**

- (a) To describe the Tanzania legal system:

Legal system refers to the set of laws of a country and the ways in which they are interpreted and enforced. In other words, is a system for interpreting and enforcing the laws. It elaborates the rights and responsibilities in a variety of ways. Three major legal systems of the world consist of civil law, common law and religious law. Tanzania's legal system is based on the English Common Law system. It derives this system from its British colonial legacy, as it does the system of government, which is based to a large degree on the Westminster parliamentary model. The basic structure of the present legal system is influenced by the English legal system structure and it is much the same from when it was first introduced into the territory in the early 1920's. To date Tanzanian's legal system remains fundamentally an adversarial legal system.

- (b) Short notes on the following terms:

(i) **Criminal law**

Criminal Law, as distinguished from civil law, is a system of laws concerned with punishment of individuals who commit crimes. Thus, where in a civil case two individuals dispute their rights, a criminal prosecution involves the people as a whole deciding whether to punish an individual for his conduct or lack of conduct (i.e. omission). Just as the people decide what conduct to punish, so the people decide what punishment is appropriate. Accordingly, punishment vary with the severity of the offense – from a simple fine (e.g. for a traffic violation) to loss of freedom (e.g. for murder). Each state decides what conduct to designate a crime.

(ii) **Civil law**

It is a body of rules that delineate private rights and remedies, and govern disputes between individuals in such areas as contracts, property, and Family law; distinct from criminal or public law. Civil law systems, which trace their roots to ancient Rome, are governed by doctrines developed and compiled by legal scholars. Legislator and administrators in civil law countries use these doctrines to fashion a code by which all legal controversies are decided.

(iii) **Statutory law**

Statutory Law is the term used to define written laws, usually enacted by a legislative body. Statutory laws vary from regulatory or administrative laws that are passed by executive agencies, and common law, or the law created by prior court decisions.

As legislative enactments, statutory laws follow the usual process of legislation body. Statutory laws follow the usual process of legislation. A bill is proposed in the legislature and voted upon. If approved, it passes to the executive branch (either a governor at the state level or the president at the federal level). If the executive signs the bill it passes into law as statute. If the executive fails or refuses to sign the bill, it can be voted and sent back to the legislature. In most instances, if the legislature again passes the bill by a set margin it becomes a statute.

Statutes are also recorded, or codified, in writing and published. Statutory law usually becomes effective on a set date written into the bill.

(iv) **Case law**

It is a term used for judicial decisions of selected appellate courts, courts of first instance, agency tribunals, and other bodies discharging adjudicatory functions. In the common law tradition, courts decide the law applicable to a case by interpreting statutes and applying precedents which record how and why prior cases have been decided. Unlike most civil law systems, common law systems follow the doctrine of stare decisis, by which most courts are bound by their own.

(c) To identify four (4) statutes relating to theft, forgery, fraud, bribery and money laundering.

(i) Penal Code Act Cap 16 (R.E 2002)

(ii) Prevention and Combating of Corruption Act 2007

(iii) Anti-Money Laundering Act 2006

(iv) The Economic and Organized Crime Control Act 1982

## **ANSWER 2**

(a) Identify the three conditions which support the existence of a contract of employment.

An employment contract or contract of employment is a kind of contract used in labour law to attribute rights and responsibilities between parties to a bargain. The contract is between an "employee" and an "employer". There are three tests created by courts to determine the status of employment, these are the control test, integral test and the multiple test. In some legal systems, certain indicators are relied on to identify whether or not the relevant factors are present to determine the existence of an employment relationship. These indicators include the extent of integration in an organization, who controls the conditions of work, the provision of tools, materials or machinery, the provision of training and whether the remuneration is paid periodically and constitutes a significant proportion of the income of the worker

- (b) The statement of particulars should include the following:
- (i) Name, age, permanent address and sex of the employee;
  - (ii) Place of recruitment;
  - (iii) Job description;
  - (iv) Date of commencement
  - (v) Form and duration of the contract;
  - (vi) Place of work;
  - (vii) Hours of work;
  - (viii) Remuneration, the method of its calculation, and details of any benefits or payments in kind, and
  - (ix) Any other prescribed matter.
- (c) Advice on how AVENA should implement retrenchment initiatives:
- (i) The employer must give notice of any intention to retrench as soon as it is contemplated;
  - (ii) The employer must disclose of all relevant information on the intended retrenchment for the purpose of proper consultation with the employees likely to be affected and consultation prior to retrenchment or redundancy. In this respect, the employer must:
    - Give the reasons for the intended retrenchment;
    - Explain any measures to avoid or minimize the intended retrenchment,
    - State the method of selection of the employees to be retrenched, the timing of the retrenchment, and
    - Ensure the payment of severance pay in respect of the retrenchments
  - (iii) Give the notice; make the disclosure and consult, in terms of subsection 1 to section 38
  - (iv) The employer is further obliged to consult in addition to the employees, with any trade union recognized in terms of section 67; any registered trade union with members in the workplace not represented by a recognized trade union; any employees not represented by a recognized or registered trade union.



### ANSWER 3

- (a) Contractual terms can either be conditions, warranties or innominate terms.

#### **DISCUSS**

A condition is a major term of the contract which goes to the root of the contract. If a condition is breached the innocent party is entitled to repudiate (end) the contract and claim damages:

Warranties are minor terms of a contract which are not central to the existence of the contract. If a warranty is breached the innocent party may claim damages but cannot end the contract.

The innominate term approach was established in the case of *Hong Kong Fir Shipping v Kawasaki Kisen Kaisha* [1962] 2 QB 26. Rather than classifying the terms themselves as conditions or warranties, the innominate term approach looks to the effect of the breach and questions whether the innocent party to the breach was deprived of substantially the whole benefit of the contract. Only where the innocent party was substantially deprived of the whole benefit, will they be able to treat the contract as at an end.

- (b) Advise to Chaurembo.

In social and domestic agreements the law raises a presumption that the parties do not intend to create legal relations as it was stated in *Balfour v Balfour* (1919) 2 KB 571. However, in *Wakeling v Ripley* (1951) 51 SR (NSW) 183 the presumption that agreements between family members do not intend to create legal relations was rebutted. The significance of intention as a barrier to enforcement of family agreements has been undermined by developments in the law of estoppels. According to the case of *TODD v NICOL* (1957) Todd's (plaintiff) managed to win the case against Nicole (defendant) because in the letter that Nicole sent to Todd's to invite them to come and stay in Nicole's place clearly mentioned that the letter intends to create legal relations. So even if Nicole does not like Todd's to stay in her place after the argument between them, she can't tell them to leave the house due to the fact that although this contract is categorized under social/domestic contract since the legal presumption is rebutted it will be governed by the contract law.

Chaurembo can enforce the promise relying on the promissory estoppel.

- (c) Advice to Babuu and Bibii

This is a case of unconscionable conduct in that the bank had taken unfair advantage of its superior bargaining position for its own commercial gain. The bank knew about the financial state of the son's business whereas his parents did not. Furthermore, the bank did not explain what the parent was entering into and they did not get any independent legal advice. In *Commercial Bank of Australia v Amadio* (1983) 151 CLR 447, the court held that the conduct of the bank was unconscionable: it was unfair and unjust. The parents were at a special disadvantage which substantially affected their ability to protect themselves. The bank must have known, or should have known, of the parent's disability, and the actions of the bank were unconscionable. In such circumstances, the court held that the contract was voidable at the option of plaintiffs.

The law also recognizes that some parties are induced to enter in to a contract through misrepresentation of material facts. Babuu and Bibii signed a mortgage through false assertion which give them the room to avoid the contract. As they are elderly with little understanding of English and formal education they can also be prevented with the defense of *non-est factum*.

#### ANSWER 4

- (a) Negligent misrepresentation and fraudulent misrepresentation.

Fraudulent misrepresentation is a false representation of a material fact that is intended to deceive, and in fact deceives, another so that the individual will act upon it to his or her legal injury. A negligent misrepresentation, on the other hand, is made where there is no direct intent to lie, but a statement is made without having any reasonable cause for believing it to be true or untrue. The distinction between a fraudulent or negligent misrepresentation is essentially a matter of degree. A fraudulent misrepresentation requires knowledge that a statement is not true, whereas a negligent misrepresentation only requires that there be no reasonable ground to believe something is true or where the speaker should have known otherwise.

- (b) Objectives of the law of tort and how far these objectives are successfully met.

The law of tort is often characterized as having four main objectives. These are:

- (i) the protection of legitimate interests.
- (ii) The provision of compensation when those interests are infringed.
- (iii) The establishing of normative standards of behaviour, and
- (iv) providing those who have suffered harm with some form of retribution.

- (c) The maxim *res ipsa loquitur* makes it easier for the claimant to prove negligence. Critically analyse this statement.

The maxim is a Latin term which means "the thing speaks for itself," is a doctrine of law that one is presumed to be negligent if he/she/it had exclusive control of whatever caused the injury even though there is no specific evidence of an act of negligence, and without negligence the accident would not have happened. Example: if a load of bricks on the roof of a building being constructed by a Construction Company falls and injures Paul Pedestrian below, the company is liable for Pedestrian's injury even though no one saw the load fall.

*Res ipsa* case hinges on whether the defendant carries sole responsibility for the injury. If the plaintiff can't prove by a preponderance of the evidence that the defendant's negligence cause the injury, then they will not be able to recover under *res ipsa*. The defendant must also owe a duty of care to protect the plaintiff from the type of injury at issue in the suit. If the defendant does not have such a duty, or if the type of injury doesn't fall within the scope of that duty, then there is no liability.

## ANSWER 5

- (a) The role and powers of the following:
- (i) **Chairman of the Board**  
The chairman of the board is responsible for managing the board of directors and has an important role to play in relation to both board meetings and general meetings of the company.
  - (ii) **Managing Director**  
Whilst the chairman is responsible for the conduct of meetings, the managing director is the chief executive of a company with responsibility for the executive management and the business operations of the company. It is recognized as good corporate governance practice, particularly in listed companies, that these two offices should be held by different people.  
It is the board of directors acting as body, rather than individual directors, that is the agent of the company. However, the board may appoint one or more managing directors from its membership. The board of directors may confer any of their powers on the managing director as they see fit. The mere fact of appointment, however, will mean that the person appointed as managing director will have implied authority to bind the company in the same way as the board. Outsiders can therefore safely assume that a person appointed as managing director has all the powers usually exercised by a person acting as a managing director.
- (b) **Appointment and removal of directors**  
The first directors are usually named in the articles or memorandum of association. Subsequent directors are appointed under the procedure stated in the articles, although it is usual for the company in general meeting to elect the directors by an ordinary resolution.  
  
Casual vacancies are usually filled by the board of directors co-opting someone to act as director. That person then serves until the next annual general meeting when he or she must stand for election in the usual manner.
- (c) There are a number of ways in which a person may be obliged to give up their position as a director:
- (i) **Rotation**  
Table A provides that one third of the directors shall retire at each AGM, being those with the longest service. They are, however, allowed to stand for re-election.
  - (ii) **Retirement**  
Directors of Public Companies are required to retire at the first AGM after they have reached the age of 70 see section 194 of the Companies Act 2002. They may retire at any time before then.

(iii) **Removal**

A director can be removed at any time by the passing of an ordinary resolution of the company. The company must be given special notice (28 days) of the intention by any of its members to propose such a resolution. The power to remove a director cannot be taken away or restricted by any provision in the company's documents or any external contract.

(iv) **Disqualification**

The article of association usually provide for the disqualification of directors on the occurrence of certain circumstances: bankruptcy, mental illness, or prolonged absence from board meetings.

## ANSWER 6

- (a) The legal action to be taken to inquire whether Mr. Koplo is part of the company or not.

By lifting the corporate veil

### **Veil of incorporation**

The principle that a company is a different person in law different from its members is commonly known as veil of incorporation. The effect of this principle is that it creates a fictional veil or a kind of a fictional wall separating the members and the company in their dealings, separate legal personality of a company operates as a mask that covers the actual face of the person.

Therefore, the screen separating the company from its individual shareholders and directors is commonly referred to as "the veil of incorporation". Courts are always required to honour this veil and uphold the rule that a company and its members are separate other than one.

However, human ingenuity started using the veil as a crack for fraud improper conduct and perpetuation of criminal conducts thus it became necessary for the court to break through and look on the persons behind the company who are the real beneficiaries to the corporate. Chigbo C had the following to say on lifting the veil of incorporation.

*When the company or corporate form is a sham or a mere façade concealing the true facts, the veil of corporate personality can be torn aside, thus against the backdrop of the possibility of that limited liability (which protects investors shareholders) can be a vehicle for facilitating fraud parliament via statutory legislations and judiciary vies. Decided cases have sometimes intervened to mitigate the harsher effect of corporate personality and limited liability but this does not mean that the two doctrines (corporate personality and limited liability) are not respected or recognized by the Courts" emphasis added.*

- (b) The circumstances which can lead to (a) above

**The circumstances are the Exception to the rule of veil of incorporation**

The following are some examples where the court can simply ignore the corporate veil and proceed to look inside as to the actual members forming the company. Where the liability lies to the said members the court will therefore hold them accordingly.

**Invention of fraud or improper conducts**

One of the grounds for lifting the veil of incorporation is where companies are formed with intent to swindle the public. The courts therefore do protect the public from such companies. In the case of **Jones v Lipman**. Mr. Lipman had entered into a contract with Mr. Jones for sale of the land. Mr. Lipman then changed his mind and did not want to complete the sale. He formed a company in order to avoid the transaction and conveyed the land to it instead. He then claimed he no longer owned the land and could not comply with the contract. The judge found the company was but a façade or front for Mr. Lipman and granted an order for specific performance.

**Determination of enemy character**

Various countries so uphold the rule that none is allowed to trade with an enemy. As such this rule entails to a largest extent the countries that have been at war or where embargo has been raised against such a country for want of human right protection or so. The question is therefore whether the company can acquire enemy character while it is a person existing in abstract. The detailed discussion of this position was held in the case of **DAIMLER CO LTD V CONTINENTAL TYRE AND RUBBER CO (GREAT BRITAIN) LTD**.

In this case all shares except one of the continental tyre and Rubber Co. Ltd were held by German residents and all directors were German residents. The secretary was English. Continental tyre and Rubber Co. Ltd supplied tires to Daimler but Daimler was concerned that making payment might contravene a common law offence of trading with an Enemy as well as proclamation issued under section 1 (2) of the Trading with an Enemy Act 1914 (UK). Daimler therefore brought an action to determine if the payment could be made given that it was during the First World War.

The House of Lords unanimously held that the company was capable of acquiring enemy character. Lord Park said

*I do not think, however, that it is necessary corollary of this reasoning (Salomon) to say that the character of its cooperators must be irrelevant to the character of the company and this is crucial for the rule against trading with the enemy and this is crucial for the rule against trading with the enemy depends upon enemy character.*

The Court proceeded stating that just like a natural person can have enemy character though born in the UK so can a legal person.

*“I think that the analogy is to be found in control an idea which if not very familiar in law is of capital importance and is very well understood in commerce and finance. The acts of a company’s organs, its directors, managers, secretary, and so forth functioning within the scope of their authority are the company’s acts and may invest it definitely with enemy character it must at least be prima facie relevant certainly I have found no authority to the contrary”.*

### **Where a company was formed to avoid legal obligations**

In a situation where the company is formed for the purposes of avoiding legal obligations of those who formed it the court will ignore the fact that the company is a person in law and proceed holding those who formed it accountable for their acts. In the case of *Gilford Motor company ltd v Horne*. A former employee who was bound by a covenant not to solicit customers from his former employers set up a company to do so. He argued that while he was bound by the covenant the company was not. The court found that the company was merely a front for Mr. Horne and issued an injunction against him.

### **Determination of a subsidiary of holding company**

In this the Courts always presume that a company whether subsidiary or holding is an independent legal person from its members and other companies as well, however the notion has been misused by holding companies whereby they establish a number of subsidiary companies with a view of protecting their assets from being put at risk in case the company is to be insolvent. The Court has to look into it to establish if at all the subsidiary company is an agent of the holding company. In doing this the Court will have to ignore the principle that every company so established is a juristic person.

In the case of *Smith, Stone and Knight ltd v Lord Mayor Aldermen and citizens of the city of Birmingham* the court held that the subsidiary company is carrying on business as a parent company and therefore pierced the corporate veil. The Court stated that it is a question of fact in each case whether the subsidiary was carrying on its business as its own, or whether it was carrying on the business of the parent company.

It was in the same case where the Court established a clear test of agency relation between the subsidiary company and the Holding company with a view to shifting the liability to the parent. The tests were established in determination of the company’s complicity in a criminal liability. The court therefore pointed out the factors that can be used in determining the so called question fact. The factors are: were the profits of the subsidiary company treated as the profits of the parent company? Was the person conducting the business appointed by the parent company? Was the parent company the head and brain of the trading venture? Did the parent company make the profit by its skill and direction? And was the parent company in effectual and constant control? Where the answers to all the question are in affirmative it goes without saying that the

holding company will have to bear the liability regardless of the fact that it was a wrong done or omission by the subsidiary company.

Other factors that may compel the Court to lift the corporate veil are inclusive:

- (i) The veil is lifted or protective of public policy (i.e. where there is conflict with public policy).
  - (ii) Where the company is acting as agent of shareholders.
  - (iii) Where the membership of the company goes below the statutory minimum.
  - (iv) Where the prospectus includes fraudulent misinterpretation.
  - (v) Where an officer of the company signs a negotiable instrument on behalf of a company without mentioning the name of the company thereon.
  - (vi) Where the breach of economic offence is involved.
  - (vii) Where the company is used for some illegal or improper purpose.
  - (viii) To determine technical competence of the company.
  - (ix) To punish for contempt of Court.
- (c) The essence of a Company is that it has a legal personality distinct from the people who compose it, that is, the people who have subscribed for shares in the Company or have given guarantees to the company and from the directors of the company. The concept of separate legal personality was expounded in the case of **Salomon v. Salomon [1897] AC 22**. However, there are instances in which the corporate legal personality may be lifted by the Court in case the directors or members of the company seek to avoid legal obligations or perpetrate improper conduct under the name of the company. In Tanzania, the principle of lifting the corporate veil was established in the case of **Yusuf Manji v. Edward Masanja & Another, Civil Appeal No. 78 of 2002** where the Court of Appeal held that it would serve the best interests of justice to lift the corporate veil and hold the directors of the company liable where it is apparent that the directors were concealing assets of the company in their own names. Directors of a company may be indemnified in respect of any acts committed in their capacity as directors during their discharge of duties. The indemnification clause is usually inserted in the Articles of Association of the company.

## ANSWER 7

- (a) To mention and explain the essential features of a partnership:
- (i) There must be at least two persons to form a partnership
  - (ii) Agreement
  - (iii) Lawful business
  - (iv) Sharing of profits
  - (v) Mutual agency
  - (vi) Utmost good faith
  - (vii) Unlimited liability
  - (viii) Restrictions on transfer of interest
- (b)
- (i) The act of conveying interests of a partner to another person is known as 'assignment'.
  - (ii) No, assignment by a partner of his whole interest in a partnership does not of itself dissolve the partnership in the absence of an agreement to that effect. S.210 (1) of the Law of Contract Act, cap 345.
  - (iii) Tine cannot interfere or participate in the management or administration of the partnership business or affairs. She may, however, receive the net profits to which Just would have otherwise been entitled. In this case. S.210.
- (c) The term 'dissolution' means bringing to an end or winding up. Thus dissolution of a partnership refers to bringing to an end an existing partnership, thereby discharging the co-partners from obligations earlier agreed to. A partnership may dissolve by operation of the law, i.e. is statutory dissolution. This includes dissolution by expiration or notice, dissolution by death, bankruptcy or charge, dissolution by illegality of partnership, and dissolution by court order or arbitrator.

