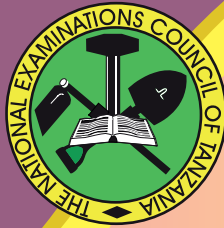


THE NATIONAL EXAMINATIONS COUNCIL OF TANZANIA



**EXAMINERS' REPORT ON THE PERFORMANCE
OF CANDIDATES**

ACSEE, 2014

153 ACCOUNTANCY

THE NATIONAL EXAMINATIONS COUNCIL OF TANZANIA



EXAMINERS' REPORT ON THE PERFORMANCE OF CANDIDATES ACSEE, 2014

153 ACCOUNTANCY

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FOREWORD

The National Examinations Council of Tanzania is pleased to issue the Accountancy Examiners' Report on the Performance of Candidates in Advanced Certificate of Secondary Education Examinations (ACSEE) 2014. The report provides feedback to students, teachers, parents, policy makers and the public in general on the performance of the candidates.

The Advanced Certificates of Secondary Education Examination marks the end of two years of Advanced Secondary Education. It is a summative evaluation which among other things shows the effectiveness of the education system in general and education delivery system in particular. Essentially, candidates' responses to the examination questions is a strong indicator of what the education system was able or unable to offer to the students in their two years of advanced secondary education.

The analysis presented in this report intends to contribute towards understanding of some of the reasons behind good performance of majority of the candidates and poor performance of the few candidates. The report highlights some of the factors that made candidates score high marks in the questions. Such factors include; ability of the candidates to adhere to the demand of the questions, identifying the task of the questions and ability to express themselves in English Language. Few candidates who scored low marks in this examination failed to adhere to the demands of the questions. They also showed inability of expressing themselves in English Language and lacked knowledge on the concepts related to the subject. The feedback provided will enable the educational administrators, school managers, teachers and students to identify proper measures to be taken in order to improve candidates' performance in future examinations administered by the Council.

The National Examinations Council of Tanzania will highly appreciate comments and suggestions from teachers, students and the public in general that can be used for improving future Examiners' Reports.

Finally, the Council would like to thank all the Examination Officers, Examiners and all others who participated in preparation of this report.



Dr. Charles E. Msonde
EXECUTIVE SECRETARY

1.0 INTRODUCTION

This report analyses the performance of the candidates in Accountancy for the Advanced Certificate of Secondary Education Examinations (ACSEE) in 2014. The examination paper was set according to the 2009 syllabus and adhered to the Examination format.

The examination was made up of two papers, 153/1 Accountancy 1 and 153/2 Accountancy 2. Both papers consisted of seven (7) questions which were divided into two sections namely A and B. Candidates were required to answer any five (5) questions, three questions from section A and two questions from section B. Each question in section A and B carried 20 marks.

A total of 825 candidates sat for Accountancy examination. The results shows that 99.27 percent passed the examination with the following grades: grade A 5.58 percent; grade B⁺ 37.45 percent; grade B 29.7 percent; grade C 19.15 percent; grade D 7.39 percent and 0.73 percent failed by obtaining grade E and F.

The general performance of candidates in Advanced Certificates of Secondary Education Examinations (ACSEE) May, 2014 in Accountancy paper was good.

Accountancy examination results for three consecutive years show that in 2013 results were good compared to those of 2012. In 2014, the results are better compared to the two previous years. (See the table below)

| Sn. | Year | Number of Candidates sat for Exams. | Passed | Percentage | Failed | Percentage |
|-----|------|-------------------------------------|--------|------------|--------|------------|
| 1 | 2012 | 1,554 | 1,314 | 84.56 | 240 | 15.44 |
| 2 | 2013 | 1,777 | 1,660 | 93.42 | 117 | 6.58 |
| 3 | 2014 | 825 | 819 | 99.27 | 6 | 0.73 |

The analysis on individual questions is presented in the next sections. The presentations examine the requirements of each question and the way the candidates answered them. This analysis shows both strengths and weaknesses of candidates in answering the questions. Selected extracts of candidates' responses are included to enable stakeholders experience the reality of candidates' responses to the questions. It is expected that such detailed analysis will enable the stakeholders to take appropriate measures in improving the teaching and learning of Accountancy.

2.0 ANALYSIS OF PERFORMANCE OF CANDIDATES IN EACH QUESTION

PAPER 1

2.1.1 Question 1: Brief explanations on the Accounting Terms

This question consisted of five (5) items drawn from two topics of the syllabus. The topics were *Final accounts and Accounting Concepts*. The candidates were required to give brief explanations for the named accounting terms. The question intended to measure the candidates' comprehension ability and knowledge on various concepts of accounting and the application of such knowledge in their daily life.

The question was attempted by 64.8 percent of all candidates. Performance in this question was good, as only 0.4 percent scored 0 mark, 8.7 percent scored 0.5 to 3.5 marks, 30.5 percent scored from 4 to 7 marks, 39.5 percent scored 7.5 to 10.5 marks, 17.2 percent scored from 11 to 14 marks, and 3.7 percent scored 14.5 to 17.5 marks out of the 20 allotted and there was no any candidate who scored full marks in this question.

The candidates who scored from 10 to 17.5 marks managed to explain each term clearly as used in an accounting discipline and tried to show the functions, features and characteristics of the terms. Moreover, they provided some examples to support their explanations. A sample of such responses is shown in extract 2.1.1

Extract 2.1.1

| | |
|-------|---|
| 1. a/ | <u>Goodwill</u> : is the good reputation of the business organisations which make the firm be popular due to its soundness and accurate performance of the firm. The goodwill may rise due to some reasons including the followings: |
| | • Good dealing with customers |
| | • Quality of goods produced by a firm hence make it known. Goodwill of the firm make the firm gain more profit due to increased number of customers. |
| 1. b/ | <u>Creditors</u> : are the persons owned by the organisation which need to be paid by the organisation. creditor helps the enterprise to acquire necessary goods on credit basis and payments be made in future time by an enterprise. Creditors are shown in the balance sheet as current liability of an enterprise and |
| | <u>Liability</u> : is the obligation of the business that the business itself is liable to pay. Liability of the business may be long term liability such as loans from different institutions and people, also liability can be of short term that are required to be paid within a single financial year such as creditors and bank overdrafts. |

| | |
|----|---|
| 1. | Q/ Double entry system: is the dual aspect system which calls for recording business transaction twice. This system records each business transaction twice as for every debit entry must have a corresponding credit entry and for every credit entry must have a corresponding debit entry. Example: In cash book we recognize purchases as a debit entry but when it comes to the purchases account it is recognized as a credit entry. |
| 1. | Q/ Credit note: is the document issued by the seller to the buyer to make the correction of the amount stated to the invoice. This document is issued when a buyer returns the goods sold to him to the seller due to some inconveniences of such goods as they may be of wrong order, poor quality and goods which are damaged. Hence by this a seller refund the buyer by sending him a credit note so as to reduce the amount which previously was stated to the original invoice. |

Extract 2.1.1 presents candidate's correct response to the question. This candidate managed to provide clear explanations of the given accounting terms.

However, most of the candidates who performed moderately (who scored from 6 to 9 marks) in this question they were able to provide good responses in some of the items but failed to explain correctly on other parts. This was attributed by the fact that some of the concepts were not clear to them while some failed to express themselves well in English Language.

On the other hand, the candidates who scored from 0 to 5 marks in this question had inadequate knowledge on accounting terms and poor communication skills hence their answers lacked clarity and some of the terms were omitted. Generally those candidates were not knowledgeable of the terms goodwill, creditors, liability, realization concept, double entry system and credit note. They provided unrelated responses with few sentences which were not understandable. For instance, one of the candidates explained Double Entry System as the system whereby the account should be balanced on the both sides. Moreover, other candidates failed to express themselves well and their responses were characterized by a lot of grammatical errors. A sample of such responses is shown in extract 2.1.2

Extract 2.1.2

| | |
|-----|--|
| Qn1 | |
| (a) | Goodwill - Is the reputation of the business or a company where by the shareholders get due to their profit and the goodwill will be calculated according to their ratios. |
| (b) | Creditors and liability - Are the loss to the business when there is debts who failed to pay the debt to the business. |
| (c) | Realisation concept - Are the concept which state that |
| (d) | Double entry system - Is the system where by the account should balance both side the debit side should be the same as the credit side of the account. |
| (e) | Credit Note - |

Extract 2.1.2 shows that the candidate did not understand the demand of the question or had no idea of the given accounting terms. This candidate provided irrelevant responses on all the given terms.

2.1.2 Question 2: Depreciation of Non-Current Assets and Correction of Accounting Errors

The question had two parts (a) and (b). In part (a) candidates were required to prepare Machinery Account, Provision for Depreciation Account and Machinery Disposal Account while in part (b) the candidates were required to write up Journal Entries to record the shown errors.

The question was attempted by 90.3 percent of all candidates. Analysis of the candidates performance in this question shows that 0.3 percent scored 0 mark, 5.4 percent scored 2 to 5 marks, 16.2 percent scored 6 to 9 marks, 31 percent scored 10 to 13 marks, 38.5 percent scored from 14 to 19 marks while the rest 65 candidates (8.6%) scored 20 marks out of 20 allotted. These data indicates that candidates' performance in this question was good.

The candidates who performed well in part (a) managed to prepare machinery, provision for depreciation and machinery disposal accounts and they were able to record all required entries in those accounts. The candidates also were able to calculate the amount of depreciation required in each year which is to be transferred to Income Statement. One of such responses is shown in extract 2.2.1.

Extract 2.2.1

| 2.(a) Dr MACHINERY A/c. | | | | Cr | | | |
|-------------------------|---------|-------|--------|-----------|----------|-------|--------|
| Date | Detail | folio | Amount | Date | Detail | folio | Amount |
| 1.4.2000 | Balance | b/d | 255000 | 1.1.2001 | disposal | | 60000 |
| 1.1.2001 | Bank(4) | | 75000 | 31.3.2001 | Balance | 9/d | 270000 |
| | | | 330000 | | | | 330000 |
| 14.2001 | Balance | b/d | 270000 | | | | |

| Dr PROV. DEPRECIATION A/c | | | | Cr | | | |
|---------------------------|----------|-------|--------|---------|---------------|-------|--------|
| Date | Details | folio | Amount | Date | Detail | folio | Amount |
| 11.2001 | Disposal | | 23280 | 14.2000 | Balance | b/d | 94500 |
| | Balance | 9/d | 104910 | | Profit & loss | | 33690 |
| | | | 128190 | | | | 128190 |
| | | | | 14.2001 | Balance | b/d | 104910 |

Workings' Depreciation schedule.

| Machine | 1998 | 1999 | 2000 | 2001 | Disposal |
|-----------------|-------|-------|-------|-------|----------|
| 1 | 30000 | 24000 | 19200 | 15260 | 84720 |
| 2 | | 6000 | 10800 | 6480 | 23280 |
| 3 | | | 4500 | 8100 | |
| 4 | | | | 3750 | |
| Profit and loss | 30000 | 30000 | 34500 | 33690 | |

| Dr MACHINERY DISPOSAL A/c | | | | Cr | | | |
|---------------------------|-----------|-------|--------|------|-------------------|-------|--------|
| Date | Detail | folio | Amount | Date | Detail | folio | Amount |
| 14.2001 | Machinery | | 60000 | | Prov. depr | | 23280 |
| | | | | | Bank (compensate) | | 37200 |
| | Profit | | 480 | | | | |
| | | | 60480 | | | | 60480 |

Extract 2.2.1 shows the candidate who produced correct responses to the question. This candidate managed to prepare machinery, provision for depreciation and machinery disposal accounts.

It was further observed that, most of the candidates who performed moderately in part (b) managed to open journal entries but failed to meet the demand of the question in part (a). This indicates that those candidates had insufficient knowledge on the concept of Depreciation of Non-Current Assets and they were not able to open provision for depreciation and machinery disposal accounts.

On the other hand, candidates who performed poorly were unable to open correctly machinery, provision for depreciation and machinery disposal accounts. Moreover, they failed to record entries correctly in those accounts. Poor performance in this question indicates that the candidates were not familiar with the concept of Depreciation of Non-Current Assets. One of such responses is shown in extract 2.2.2

Extract 2.2.2

| | | | | | |
|-------|---------|-------------|---------|---------------|-------------|
| 2. | | | | | |
| 12/02 | | | | MACHINERY A/C | |
| a) | DATE | DEBIT | AMOUNT | CREDIT | DEBIT |
| | 24/1/97 | Balance b/d | 150,000 | 1/1/97 | 150,000 |
| | | | | 1/1/97 | Balance b/d |

Extract 2.2.2 illustrates one of the incorrect answers of the candidate who prepared Machinery account and recorded wrong entries contrary to the demand of the question. The candidate in this question failed to open provision for depreciation and machinery disposal accounts as he or she was supposed to do.

However, some candidates performed well in part (b) as they were able to meet the demand of the question and they had adequate knowledge on the topic of Correction of Accounting Errors. Those candidates managed to prepare rectifying journal entries, identify errors, correct and record those transactions in the journal entries correctly. Extract 2.2.3 illustrates a sample of correct responses.

Extract 2.2.3

| 26 | | JOURNAL ENTRIES | | |
|----|-----|--|---------|---------|
| | no | DETAILS | DR | CR |
| | i | Drawings a/c | 14400 | |
| | | Sundry expenses a/c | | 14400 |
| | | Being error of original ^{commission} entries, now corrected. | | |
| | 24 | | | |
| | ii | Chiwanga a/c | 36000 | |
| | | purchases a/c | | 36000 |
| | | Being purchases a/c and chiwanga a/c overcasted by 36000, now corrected. | | |
| | | | | |
| | iii | sales a/c | 1000000 | |
| | | capital a/c | | 1000000 |
| | | Being sales a/c overcasted by 1000000, now corrected. | | |
| | | | | |
| | iv | Morantula a/c | 39000 | |
| | | Godson a/c | | 39000 |
| | | Being Godson undercasted by 39000, and Morantula overcasted by 39000, now corrected. | | |
| | | | | |
| | v | Bank a/c | 164000 | |
| | | cash a/c | | 164000 |
| | | Being cash a/c and Bank a/c recorded in wrong side, now corrected. | | |
| | | | | |

Extract 2.2.3 illustrates one of the correct answers extracted from the candidate's script. This candidate managed to identify errors, correct them, and prepare journal entries.

The candidates who performed poorly in part (b) failed to identify errors and record entries correctly in rectifying journal. One of such responses is shown in extract 2.2.4.

Extract 2.2.4

| | |
|--------|--|
| 2b> | Journal entries are as follows, |
| 1> | Debit: Drawings a/c Credit: Sundry expenses a/c. |
| 11> | Debit: Suspense a/c Credit: Chinwaga a/c Credit: Purchases a/c |
| 111> | Dr: Bank a/c Cr: Suspense a/c |
| 1111> | Debit: Mortulus a/c Credit: Return inward a/c |
| 11111> | Debit: Bank a/c Credit: Cash a/c. |

Extract 2.2.4 shows a candidate who narrated wrongly in journal entries. Moreover, this candidate failed to identify and correct the errors and failed also to record transactions in the journal.

2.1.3 Question 3: The Nature and Context of Accounting

In this question the candidates were required to enter the given transactions directly into ledger.

The question was attempted by 86.9 percent of all candidates. The performance of the candidates shows that 2.9 percent scored 0 mark, 9.8 percent scored 0.5 to 3.5 marks, 8.4 percent scored 4 to 7 marks, 23 percent scored 7.5 to 10.5 marks, 23.6 percent scored from 11 to 14 marks, 22.5 percent scored 14.5 to 19.5 marks while the rest 71 candidates (9.8%) scored 20 marks out of 20 allotted. The performance of the candidates in this question was good.

The candidates who scored high marks (from 10 to 20 marks) were able to meet the demand of the question and they had adequate knowledge on the topic of The Nature and Context of Accounting. They managed to enter transactions in the cash account and adhered to the principles of double entry system. They were able to post the transactions to the appropriate side of the accounts and managed also to balance accounts in the ledger accounts. Extract 2.3.1 illustrates a sample of correct responses.

Extract 2.3.1

| | | | | | | |
|----|-----------|--------------------------------|---------|-----------|-------------|---------|
| 3. | DR | CASH | ACCOUNT | CR | | |
| | Date | Detail | Amount | Date | Detail | Amount |
| | 1/9/2012 | Balance ^{Capital} b/d | 160,000 | 5/9/2012 | Purchases | 60,000 |
| | 12/4/2012 | Commission | 20,000 | 10/9/2012 | Salary | 10,000 |
| | | | | 15/9/2012 | Rent | 15,000 |
| | | | | 25/9/2012 | Drawing | 18,000 |
| | | | | 31/9/2012 | Balance c/d | 77,000 |
| | | | 180,000 | | | 180,000 |
| | 1/10/2012 | Balance b/d | 77,000 | | | |
| | | | | | | |
| | | | | | | |
| | DR | CAPITAL | ACCOUNT | CR | | |
| | Date | Detail | Amount | Date | Detail | Amount |
| | 31/9/2012 | Balance c/d | 160,000 | 1/9/2012 | Cash | 160,000 |
| | | | 160,000 | | | 160,000 |
| | | | | 1/10/2012 | Balance b/d | 160,000 |
| | | | | | | |
| | | | | | | |
| | DR | PURCHASES | ACCOUNT | CR | | |
| | Date | Detail | Amount | Date | Detail | Amount |
| | 5/9/2012 | Cash | 60,000 | 31/9/2012 | Balance c/d | 60,000 |
| | 1/10/2012 | Balance b/d | 60,000 | | | |
| | | | | | | |
| | | | | | | |
| | DR | DEBTORS | ACCOUNT | CR | | |
| | Date | Detail | Amount | Date | Detail | Amount |
| | 6/9/2012 | Chande | 30,000 | 31/9/2012 | Balance c/d | 80,000 |
| | 8/9/2012 | Salome | 50,000 | | | |
| | | | 80,000 | | | 80,000 |
| | 1/10/2012 | Balance b/d | 80,000 | | | |

| DR. SALOME'S A/c. CR. | | | |
|---------------------------|-------------|-------------|--|
| Date | Details | folw Amount | Date Details fol Amount |
| 8 th Sep 2012 | Sales | 50,000 | 31 st Sep 2012 Balance c/d 50,000 |
| | | | |
| | | 50,000 | 50,000 |
| 1 st Oct 2012 | Balance b/d | 50,000 | |
| DR. SALARY'S A/c. CR. | | | |
| Date | Details | folw Amount | Date Details fol Amount |
| 10 th Sep 2012 | Cash | 10,000 | 31 st Sep Balance c/d 10,000 |
| | | | |
| | | 10,000 | 10,000 |
| 1 st Oct 2012 | Balance b/d | 10,000 | |
| DR. Commission A/c. CR. | | | |
| Date | Details | folw Amount | Date Details fol Amount |
| 31 st Sep. | Balance c/d | 20,000 | 1 st Sep 2012 Cash 20,000 |
| | | | |
| | | 20,000 | 20,000 |
| | | | 1 st Oct Balance b/d 20,000 |
| DR. RENT A/c. CR. | | | |
| Date | Details | folw Amount | Date Details fol Amount |
| 15 th Sep 2012 | Cash | 15,000 | 31 st Sep Balance c/d 15,000 |
| | | | |
| | | | |
| 1 st Oct 2012 | Balance b/d | 15,000 | |
| DR. DRAWINGS A/c. CR. | | | |
| Date | Details | folw Amount | Date Details fol Amount |
| 25 th Sep 2012 | Cash | 18,000 | 31 st Sep Balance c/d 18,000 |
| | | | |
| | | 18,000 | 18,000 |
| 1 st Oct 2012 | Balance b/d | 18,000 | |

Extract 2.3.1 shows one of the candidate who managed to open Cash Accounts, post items to the ledger, balance accounts and observe the principles of double entry system.

However, most of the candidates who scored from 6 to 9 marks managed to enter transactions in the cash account but they failed to post those transactions to the appropriate side of the accounts in the Ledger.

The candidates who performed poorly in this question scored from 0 to 5 marks. This category of candidates showed many weaknesses in various aspects including failure to understand the demand of the question and enter transactions in the cash account. Moreover, they failed to adhere to the principles of double entry system on how to post the transactions to the appropriate side of the accounts and they also failed to balance accounts in the ledger account. Extract 2.3.2 illustrates a sample of incorrect responses.

Extract 2.3.2

| (3) | LEDGER. | | | | |
|-----|---------|--------------------------------|---------|----------|----------|
| | Date | Details | Amount | Increase | Decrease |
| | 1/9 | Started business with cash | 100,000 | | |
| | | | 100,000 | | |
| | 5/9 | Bought goods for cash | 60,000 | | - |
| | | | 100,000 | | |
| | 6/9 | Sold goods to client | 30,000 | | |
| | | | 130,000 | | |
| | 7/9 | Bought goods from firm | 40,000 | | - |
| | | | 90,000 | | |
| | 8/9 | Sold goods to Salome | 50,000 | | |
| | | | 140,000 | | |
| | 10/9 | Paid cash for salary | 10,000 | | - |
| | | | 130,000 | | |
| | 12/9 | Received cash for commission | 20,000 | | |
| | | | 150,000 | | |
| | 15/9 | Paid cash for rent | 15,000 | | - |
| | | | 135,000 | | |
| | 25/9 | Withdrew cash for personal use | 18,000 | | - |
| | | Bal | 117,000 | | |

Extract 2.3.2 shows one of the candidate's script who drew a journal entry and termed it as a Ledger Account. Moreover, this candidate failed to enter transactions in the cash account and post those transactions to the ledger instead he or she added one transaction after another which was not the demand of question.

2.1.4 Question 4: Branch Accounting

The question had two parts (a) and (b). In part (a) candidates were required to prepare goods sent to branch account, branch stock account, branch stock adjustment account and branch debtors account while in part (b) candidates were required to compile Income Statement.

The question was attempted only by 54.3 percent of all candidates. The performance of the candidates was as follows: 1.6 percent scored 0.5 to 3.5 marks, 8 percent scored 4 to 7 marks, 20.5 percent scored 7.5 to 10.5 marks, 48.5 percent scored from 11 to 14 marks and the rest 95 candidates (21.4%) scored 14.5 to 18 marks out of 20 allotted and there was no any candidate who scored full marks in this question. The performance of the candidates in this question was good.

Candidates who performed well in part (a) demonstrated knowledge of the concept of Branch Accounting and they were able to meet the requirement of the question. They managed to analyze those transactions correctly, opened required accounts and entered transactions in branch stock account, branch stock adjustment account and branch debtors account. One of such responses is shown in extract 2.4.1.

Extract 2.4.1

| | | | | | | |
|-----|--|-----------------|-----------|---------|------------------|-----------|
| C4. | a) IN BOOKS OF HEAD OFFICE - as at 31 st March. | | | | | |
| | in DR. GOODS SENT TO BRANCH ACCOUNT. | | | CR. | | |
| | Date | Details | Amount | Date | Details | Amount |
| | | Branch returns. | 200,000 | | Branch account | 4,000,000 |
| | | Trading account | 3800,000 | | | |
| | | | 4,000,000 | | | 4,000,000 |
| | | | | | | |
| | DR. BRANCH STOCK ACCOUNT | | | CR. | | |
| | | Details | Amount | | Details | Amount |
| | | Balance b/d | | | Cash sales | 1200,000 |
| | | at cost 500,000 | | | Credit sales | 4370,000 |
| | | Adjustment | 250,000 | | Branch returns | |
| | | Debtors returns | 80,000 | | at cost 200,000 | |
| | | Goods sent | | | Adjustment | 100,000 |
| | | at cost 400,000 | | | Deficit | 60,000 |
| | | Adjustment | 200,000 | | Balance %d | |
| | | | 600,000 | | at cost 600,000 | |
| | | | | | Adjustment | 300,000 |
| | | | 6830,000 | | | 900,000 |
| | | | | | | 6830,000 |
| | | Balance b/d | | | | |
| | | at cost 600,000 | | | | |
| | | Adjustment | 300,000 | | | |
| | | | 900,000 | | | |
| | | | | | | |
| | DR. BRANCH ADJUSTMENT ACCOUNT | | | CR. | | |
| | Date | Details | Amount | Date | Details | Amount |
| | 2006 | Branch returns. | 100,000 | 1-4-05 | Branch stock | |
| | | | | | Balance b/d | 250,000 |
| | | | | | Goods sent | 2000,000 |
| | | Balance %d | 300,000 | | | |
| | | | 2250,000 | | | 2250,000 |
| | | | | | Balance %d | 300,000 |
| | | | | | | |
| C4. | DR. BRANCH DEBTORS ACCOUNT | | | CR. | | |
| | Date | Details | Amount | Date | Details | Amount |
| | 1-4-05 | Balance %d | 660,000 | 2005 | Bad debh. | 150,000 |
| | | Credit sales | 4370,000 | | Baint | 3900,000 |
| | | | | | Discount allowed | 90,000 |
| | | | | | Goods returned | 80,000 |
| | | | | 31-3-06 | Balance %d | 810,000 |
| | | | 5030,000 | | | 5030,000 |
| | 1-4-06 | Balance b/d | 810,000 | | | |

Extract 2.4.1 shows a candidate who produced correct responses. This indicates that, the candidate had adequate knowledge of Branch Accounting and he or she was able to record all transactions in the respective accounts.

Extract 2.4.2

Extract 2.4.2 shows a candidate who had an idea of the question but failed to record transactions well in the respective accounts.

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2.1.5 Question 5: Preparation of Income Statement and Statement of Financial Position

The candidates were required to prepare Income Statement and Statement of Financial Position of the provided firm.

This question was extensively omitted by the candidates. It was attempted only by 12.2 percent of all candidates. The performance shows that 6.9 percent scored 0 mark, 38.2 percent scored 0.5 to 3.5 marks, 45.1 percent scored 4 to 7 marks while the rest 9.8 percent scored 7.5 to 9 marks out of the 20 allotted and there was no any candidate who scored full marks in this question. These data indicate that candidates' performance in this question was very poor.

The candidates who performed poorly in this question that is who scored from 0 to 5 marks showed many weaknesses' in various aspects including lack of the required knowledge on the subject matter. They failed to calculate the amount of purchases, sales, cost of goods sold and gross profit, the items which could help them to prepare income statement and statement of financial position. This shows that there is a problem in understanding the concepts of purchases and sales ledger control accounts. Moreover, most candidates failed to calculate the figures for net profit and amount of capital at start. A sample of such responses is shown in extract 2.5.1.

Extract 2.5.1

Majuto income statement for

| | | | |
|----|--|----------|---------|
| 5. | Majuto Income Statement for the year ended 31/12 | | |
| | Sales | | 670,000 |
| | Add: Opening stock | | |
| | Purchases | 760,000 | |
| | less: Loss of goods in transit | | |
| | Cost of goods available for sale | | |
| | less: closing stock | 300,000 | |
| | Cost of goods sold | | |
| | Gross profit | | |
| | Gross profit $\frac{1}{2}$ | 1374,000 | |
| | Vehicle expenses | 702,000 | |
| | Trade Expenses | 736,000 | 736,000 |
| | less: Prepaid | 8000 | 728000 |
| | Depreciation Building | 50,000 | 50,000 |
| | Motor vehicle | 25,000 | 25,000 |
| | Motor vehicle | 100,000 | 100,000 |
| | Discount allowed | 162,000 | |
| | Discount received | 120,000 | 120,000 |
| | Commission received | | 44,000 |

Extract 2.5.1 presents a sample of one of the incorrect responses quoted from a candidate's script. That is, instead of preparing income statement of the firm as required, he or she just picked some transactions provided and reproduced them as prepared income statement.

Extract: 2.5.2

| Statement of financial position as on 31 st March, 2001 | | | |
|--|--------------|----------|---------|
| From current assets | | | |
| Building | 1000,000.000 | 600,000 | |
| Motor vehicles | | 5200,000 | 800,000 |
| Non Current assets: | | | |
| Stock | | 320,000 | |
| Agency commission due | | 300,000 | |
| Trade debtors | | 630,000 | |
| Trade Expenses prepaid | | 120,000 | |
| Bank | | 431,000 | 180,000 |
| | | | 260,000 |
| Liabilities | | | |
| Capital | | | |
| Add: Net profit | | | |
| less: Drawings | | 430,000 | |
| Current Liabilities | | | |
| Trade creditors | | 420,000 | |
| Vehicles Expenses accrued | | 23,000 | |

Extract 2.5.2 presents a sample of one of the candidate's script who failed to post entries to the statement of financial position instead he or she transferred wrong entries.

2.1.6 Question 6: Investment Account

The candidates were required to prepare Investment Account.

The question was attempted by 85.4 percent of all candidates. The candidates performance was as follows; 9.6 percent scored 0 mark, 14 percent scored 0.5 to 3.5 marks, 21.1 percent scored 4 to 7 marks, 18.5 percent scored 7.5 to 10.5 marks, 19.1 percent scored from 11 to 14 marks, 17.6 percent scored 14.5 to 19.5 marks and only 1 candidate (0.1%) scored 20 marks out of 20 allotted. The performance in this question was good.

The candidates who performed well (those who scored from 10 to 20 marks) were able to calculate correctly all the components asked in the question. They used correct formulae to calculate the value of investment bought and sold in cum div. and value of investment bought and sold in ex div. Moreover, they were able to find out the value of right shares and bonus shares issued to the members. Furthermore, they managed to obtain either profit or loss in the process of selling shares and posted those entries correctly to the Investment accounts. Extract 2.6.1 shows the candidate who provided correct response to the question.

Extract 2.6.1

| | |
|---|--|
| 6 | 18/2006 : Interest received |
| | $\frac{4}{100} \times \frac{6}{12} \times 120,000 = 2400$ |
| | 21/12/07 Sales of Investment |
| | Sales Price at ex div |
| | Amount received + Interest for future |
| | $= \left(\frac{61}{100} \times 30,000 \right) + \left(\frac{4}{100} \times \frac{1}{12} \times 30,000 \right)$ |
| | $= 18300 + 100 = 18400$ |
| | Profit or loss on sale |
| | Cost of Investment sold |
| | $\frac{30,000}{120,000} \times 17600 = 17600$ |
| | Profit on Sale $= 18400 - 17600$ |
| | $= 800$ |
| | 11/2/2007 Interest received |
| | $\frac{4}{100} \times \frac{4}{12} \times 120,000 = 2400$ |
| | 30/6/2007 Interest received during |
| | $\frac{5}{12} \times \frac{4}{100} \times 90,000 = 1500$ |

[illegible]

Extract 2.6.1 shows a candidate who had adequate knowledge on Investment Account hence managed to calculate correctly all components required and transferred those entries to the Investment Account.

On the other hand, the analysis of the candidates' responses indicated that the candidates who failed in this question that is; who scored from 0 to 5 marks had insufficient knowledge on the concept of Investment Account. Some combined three investment accounts in one account and they posted entries wrongly in that account. They also failed to calculate the amount of sales and purchases of shares concerned. Extract 2.6.2 presents a sample of one of the candidate's script who lacked knowledge on investment Account.

Extract 2.6.2

| G. | Dr | INVESTMENT ACCOUNT | | | | | | | | | Cr |
|----|-----------|--------------------|---------|----------|---------|------------|-------------|---------|----------|---------|----|
| | Date | Details | Nominal | Interest | Capital | Date | Details | Nominal | Interest | Capital | |
| | 1/1/2006 | Purchases | 120,000 | 4800 | 115,200 | 1/8/2006 | Interest | - | 5600 | - | |
| | 12/2/2006 | Purchases | 20,000 | 0.5 | 40,000 | 15/8/2006 | Bonus | - | - | 10,000 | |
| | 1/10/2006 | Purchases | 150,000 | | - | 19/8/2006 | Sales | 25,000 | 1 | 25,000 | |
| | | | | | | 31/8/2006 | Balance b/d | 115,000 | | 113,533 | |
| | | | 190,000 | - | 155,200 | | | 190,000 | - | 155,200 | |
| | 1/1/2007 | Balance b/d | 115,000 | - | 113,533 | 2/1/2007 | Sold | 30,000 | 1200 | 19,500 | |
| | | | | | | 1/3/2007 | Dividend | - | - | 3400 | |
| | | | | | | 1/4/2007 | Right issue | - | - | 1 | |
| | | | | | | 1/6/2007 | Dividend | - | - | 3600 | |
| | | | | - | | 31/12/2007 | Balance c/d | 115,000 | | | |
| | | | 115,000 | | | | | 115,000 | | | |

Extract 2.6.2 shows a work of the candidate who lacked knowledge on Investment Account. This candidate was supposed to open Consolidated Loan Investment account, Sigara and Serengeti Ltd Ordinary Shares Investment Accounts instead he or she combined transactions of three accounts in one Investment account which was contrary with the demand of the question.

2.1.7 Question 7: Recognition of Revenue and Expenses and Financial Statement Analysis and Interpretation

The question comprised of part (a) and (b). In part (a) the candidates were required to prepare insurance, wages and interest receivable accounts, income statement (extract) and to explain the effects on the statement of financial position for expenses accrued and income received in advance while in part (b) the candidates were required to calculate ratios and find out which business that seems to be the most efficient and the reasons behind.

The question was attempted by 94.2 percent of all candidates. The performance of the candidates in this question shows that 0.3 percent scored 0 mark, 2.9 percent scored 0.5 to 3.5 marks, 12.7 percent scored 4 to 7 marks, 16.2 percent scored 7.5 to 10.5 marks, 26.4 percent scored from 11 to 14 marks, 41.1 percent scored 14.5 to 19.5 marks while the rest 3 candidates (0.4%) scored 20 marks out of 20 allotted. These data indicate that candidates' performance in this question was very good.

Candidates who scored high marks in part (a) they were able to identify the demands of the question and managed to record transactions in the respective accounts. They managed to open and record transactions in insurance, wages and interest received accounts. They succeeded also to show income statement (extract). Furthermore, they were able to give possible reasons for the business which was most efficient. Extract 2.7.1 presents a sample of one of the candidate's script who had sufficient knowledge on Recognition of Revenue and Expenses.

Extract 2.7.1

| | | | |
|----------------------------------|--|----------------------------------|------------|
| 7.i) DR | INSURANCE ACCOUNT | | CR. |
| 1/1/2010 Balance b/d (Prepaid) | 562,000 | 31/12/2010 Profit & Loss | 1,236,000 |
| Bank | 1,019,000 | 31/12/2010 Balance b/d (Prepaid) | 345,000 |
| | 1,581,000 | | 1,581,000 |
| 1/1/2011 Balance b/d (Prepaid) | 345,000 | | |
| DR | WAGES ACCOUNT | | CR. |
| Cash | 15,000,000 | 1/1/2010 Balance b/d (Unpaid) | 306,000 |
| 31/12/2010 Balance b/d (Accrued) | 419,000 | 31/12/11 Profit & Loss | 15,113,000 |
| | 15,419,000 | | 15,419,000 |
| | | 1/1/2011 Balance b/d (Unpaid) | 419,000 |
| DR | INTEREST RECEIVABLE A/c | | CR. |
| 31/12/2010 Profit & Loss | 2,741,000 | 1/1/2010 Balance b/d (Prepaid) | 36,000 |
| | | 31/12/2010 Bank | 2,600,000 |
| | | 31/12/2010 Bal b/d (In arrears) | 105,000 |
| | 2,741,000 | | 2,741,000 |
| 1/1/2011 Balance b/d (Arrears) | 105,000 | | |
| NAEUDI NYUMBANI | | | |
| 7.iii) | INCOME STATEMENT (AN EXTRACT) for the year end 31/12/2010. | | |
| | Interest receivable | | 2,741,000 |
| | less: Expenses | | |
| | Wages | 1,236,000 | |
| | Insurance | 15,113,000 | 16,349,000 |

| | |
|-------|---|
| (iii) | The Effects on the Statement of Financial Position of |
| | accounting |
| | For Expenses accrued |
| | This tends to Increase the Current liabilities |
| | Since it add amount in the Current liabilities |
| | Example in case from the Question given Current |
| | liabilities may increase by 419,000 more. |
| | |
| | For Income received in advance |
| | This also tends to Increase the Current |
| | liabilities since the one received an amount without |
| | offering the service to advance tend to add more |
| | to the Current liabilities |
| | So Expenses accrued like wages owing and income |
| | received in advance like Interest received in advance at |
| | the end of the year they have the same effects |
| | on the financial position of accounting which is they |
| | increase the value of Current liabilities. |

Extract 2.7.1 shows a sample of one of the candidate's script who recorded transactions correctly and managed to elaborate the reasons behind for the business found to be the most efficient.

However, most of the candidates who performed moderately in part (a) managed to calculate correctly all the components asked in the question. They used correct formulae to calculate gross profit as percentage of sales, net profit as percentage of sales, expenses as percentage of sales, stock turn, current ratio, acid test ratio, debtor's sales ratio and creditor's purchases ratio but they failed to open and record transactions in insurance, wages, interest received accounts and to show income statement (extract) in part (a). Moreover, they failed to provide clear elaboration on the reasons behind for the business which was found to be the most efficient.

The few candidates who performed well in part (b) were able to calculate correctly all the components asked in the question. They used correct formulae to calculate gross profit as percentage of sales, net profit as percentage of sales, expenses as percentage of sales, Stock Turn, current ratio, acid test ratio, debtor's sales ratio and creditor's purchases ratio. Extract 2.7.2 shows the candidate who produced correct response to the question.

Extract 2.7.2

| (b). | RATIO | A | B |
|------|---|--------------------------------------|---------------------------------------|
| (i) | Gross profit as percentage of sales. | | |
| 07 | $= \frac{\text{Gross profit}}{\text{sales}} \times 100\%$ | $\frac{20,000}{80,000} \times 100\%$ | $\frac{24,000}{120,000} \times 100\%$ |
| | | $= 25\%$ | $= 20\%$ |
| | Net profit as percentage of sales. | | |
| | $= \frac{\text{Net profit}}{\text{sales}} \times 100\%$ | $\frac{10,000}{80,000} \times 100\%$ | $\frac{15,000}{120,000} \times 100\%$ |
| | | $= 12.5\%$ | $= 12.5\%$ |
| | Expenses as percentage of sales. | | |
| | $= \frac{\text{Expenses}}{\text{sales}} \times 100\%$ | $\frac{10,000}{80,000} \times 100\%$ | $\frac{9,000}{120,000} \times 100\%$ |
| | | $= 12.5\%$ | $= 7.5\%$ |
| | Stock turn | | |
| | $= \frac{\text{Cost of goods sold}}{\text{average stock}}$ | $\frac{60,000}{(25,000 + 15,000)}$ | $\frac{96,000}{(22,500 + 17,500)}$ |
| | | $= 3 \text{ times}$ | $= 4.8 \text{ times}$ |
| | Rate of return on net profit on capital employed. | | |
| | $= \frac{\text{Net profit before interest and tax}}{\text{capital employed}}$ | $\frac{10,000}{(32,000 + 42,000)}$ | $\frac{15,000}{(36,000 + 44,000)}$ |
| | | $= 0.25 \times 100\%$ | $= 0.375 \times 100\%$ |
| | | $= 25\%$ | $= 37.5\%$ |
| | Current ratio | | |
| | $= \frac{\text{Current asset}}{\text{Current liabilities}}$ | $\frac{45,000}{5,000}$ | $\frac{40,000}{10,000}$ |
| | | $= 9:1$ | $= 4:1$ |

Extract 2.7.2 shows a candidate who had adequate knowledge on ratio analysis hence managed to calculate correctly all parts of the question.

The analysis of the candidates' responses indicated that the candidates who performed poorly in part (b) seemed to lack mathematical skills as they did not use the right formulae to calculate the given ratios. This shows clearly that the candidates did not understand the demand of the question and had insufficient knowledge on the concept of Financial Statement Analysis and Interpretation. They provided the answer using amount in figure instead of ratios. Extract 2.7.3 illustrates a sample of incorrect responses.

Extract 2.7.3

| | |
|---|--|
| 7 | The amount its show high lost of Financial payment of received money. |
| | |
| | $\begin{aligned} \text{Profit} &= \text{loss} - \text{Asset received} \\ &= 17715,000 - 994,000 \\ &= \underline{16811,000 /} \end{aligned}$ |
| | |
| | $\begin{aligned} \text{Also } 17715,000 - 16846000 \\ &= \underline{16,029000 /} \end{aligned}$ |
| | |
| | $\begin{aligned} \text{Compare with } 16811000 - 16029000 \\ &= \underline{782,000} \end{aligned}$ |
| | |
| | $\begin{aligned} \text{The received data on advance will} \\ &= \underline{782,000 /} \end{aligned}$ |
| | |
| | $\begin{aligned} \text{Percentage profit} &= \frac{16811000}{782000} \times 100\% \\ &= \underline{21} \end{aligned}$ |

Extract 2.7.3 shows the candidate who did not understand the demand of the question. This candidate provided the answer using amount in figures instead of ratios.

PAPER 2

2.2.1 Question 1: Brief Explanations on the Auditing Terms

This question consisted of five (5) items drawn from the topic of Auditing. Terms given were letter of engagement, letter of management, audit programmes, vouching and internal control system. The candidates were required to give brief explanations for the named Auditing terms. The question intended to measure the candidates' comprehension ability and knowledge on various concepts of Auditing and the application of such knowledge in their daily life.

The question was attempted only by 34.2 percent of all candidates. Analysis of the candidates performance in this question shows that 2.5 percent scored 0 mark, 12.2 percent scored 0.5 to 3.5 marks, 23.2 percent scored 4 to 7 marks, 30.5 percent scored 7.5 to 10.5 marks, 20.7 percent scored from 11 to 14 marks, 10.2 percent scored 14.5 to 19.5 marks and only 2 candidates (0.7%) scored 20 marks out of 20 allotted. The candidates' performance in this question was very good.

The candidates who performed well in this question that is who scored from 10 to 20 marks adhered to the demand of the question. They showed enough knowledge on the topic of Auditing as they managed to explain each term clearly as used in an Auditing discipline and tried to show the functions, features and characteristics of the terms. In addition to that, they provided some examples to support their explanations. A sample of such responses is shown in extract 2.1.1.

Extract 2.1.1

| | |
|---|---|
| 1 | (i) LETTER OF ENGAGEMENT |
| | This is a letter written by auditor (external auditor) after his appointment where he write and set his agreement with his client. It includes the following terms: |
| | i. Auditor fee, which he will charge his client for service |
| | ii. Scope of his work, that is the extend of his audit work. |
| | iii. His rights such as to get access to the information and being independent. |
| | This letter act as a basis of agreement between auditor and client. |
| | (ii) LETTER OF MANAGEMENT |
| | This is a letter written by an auditor to the management of his client, to warn or inform management on any default of internal |

I (ii) Control System. This letter is prepared so as exonerate auditor on any future problem which will arise due to default of internal Control System. It is prepared for purpose of

- i. To warn management on error defaults or frauds on It System
- ii. To give suggests on how to correct.

(iii) AUDIT PROGRAMMES.

This means a plan of action of an auditor. It is prepared by an auditor during his audit work so as to guide him in doing his work. It includes activities to be performed, Sequence of activities to be done. Allocation of duties among his staff and time allocated to every audit work.

Audit programmes have the following advantages:

- i. It avoids overlapping of works

- ii. It leads to uniformity of work

- iii. It is easier even for new staff to cope with others.

- iv. Helps auditor on his future work.

But audit programmes has the following disadvantages.

- i. It can lead to uninitiative of staffs because they will do only

| | |
|---|---|
| 1 | (i) audit programme direct them |
| | (ii) Audit programmes can restrict auditor on prevention of frauds when he came across them. |
| | (iv) <u>VOUCHING</u> |
| | This is a mean of collecting audit evidence where by an auditor verifying transaction by tracing supporting documents. Such as invoice, pay-in-slip, debit note, credit note and cheque. By Vouching auditor can be able to verify the correctness of a transaction. For example payment by cheque can be checking if the cheque was really issued and the correct amount was recorded. |
| | (v) <u>INTERNAL CONTROL SYSTEM</u> |
| | This is a system adopted by management in order to safeguard assets and detection and prevention of errors and frauds. Internal Control System involves; |
| | i. Organisation chart |
| | ii. Division and segregation of duties |
| | iii. Record keeping |
| | iv. Safeguarding of asset |
| | v. Supervision |

Extract 2.1.1 presents candidate's correct response to the question. This candidate managed to provide clear explanations to the auditing terms.

However, most of the candidates who scored from 6 to 9 marks managed to provide good responses in some of the items but failed to explain correctly on other parts. This was attributed by the fact that the concept of Auditing was not clear to them.

The candidates who performed poorly, those who scored from 0 to 5 marks they did not give clear explanations of the terms and relevant examples to support what they were discussing, for instance, one of the candidate explained Audit Programmes as *one which conducted by the government to the business area and another explained letter of management as the one which is prepared by the Manager*. This indicates that the candidates had insufficient knowledge on the concept of Auditing. Extract 2.1.2 illustrates a sample of incorrect responses.

Extract 2.1.2

| | |
|-------|---|
| 1. i) | Letter of engagement |
| | This is the letter addressed or written to the auditor for giving him/her different instructions especially on auditing work and how to perform it, then the auditor when receive this letter is able to go and start the work where applied for |
| | |
| | |
| ii) | letter of management |
| | Is the letter prepared by the manager. That concern with the management issues where by can be written to the auditor of that business or not so as to be aware, this keeps the auditor to be aware of the management through that letter written to him/her. |

Extract 2.1.2 shows the candidate who did not understand the requirement of the question. This candidate provided irrelevant answer to all parts.

2.2.2 Question 2: Accounting for Royalties

The candidates were required to prepare relevant ledger account in the books of Jifunze Kwabidii.

The question was attempted by 97.1 percent of all candidates. The performance of the candidates shows that 2 percent scored 0 mark, 1 percent scored 0.5 to 3.5 marks, 1.3 percent scored 4 to 7 marks, 4.4 percent scored 7.5 to 10.5, 14.7 percent scored from 11 to 14, 39 percent scored 14.5 to 19.5 marks, the rest 304 candidates (37.6%) scored 20 marks out of the 20 allotted. These data indicate that candidates' performance in this question was excellent.

Most of the candidates who performed well in this question (who scored from 10 to 20 marks) were able to calculate correctly all the components required. They managed to calculate the value produced per tons, amount of short working in the year concerned, cash to be paid to the Landlord and amount of royalties' payable in each year. A sample of such responses is shown in extract 2.2.1

Extract 2.2.1

| 2 | DR | MAJUTO MJUKUU (LANDLORD) | CR |
|---|-------------------------------|--------------------------|-------------------------------------|
| | Details | Amount | Details Amount |
| | 2000 Bank | 8,400 | 2000 Royalty payable 8,400 |
| | 2001 Bank | 8,000 | 2001 Royalty payable 6,200 |
| | | | 2001 Short working receivable 1,800 |
| | | 8,000 | |
| | 2002 Bank | 7,400 | 2002 Royalty payable 11,200 |
| | 2002 Short working receivable | 1,800 | |
| | | 11,200 | |
| | 2003 Bank | 8,000 | 2003 Royalty payable 5,600 |
| | | | 2003 Short working receivable 2,400 |
| | | 8,000 | |
| | 2004 Bank | 8,000 | 2004 Royalty payable 8,800 |
| | 2004 Short work receivable | 800 | |
| | | 8,800 | |
| | 2005 Bank | 8,000 | 2005 Royalty payable 9,000 |
| | 2005 Short working receivable | 1,000 | |
| | | 9,000 | |
| | 2006 Bank | 15,600 | 2006 Royalty payable 15,600 |
| | | | |
| | DR | SHORTWORKING RECEIVABLE | CR |
| | 2001 Majuto Mjukuu | 1,800 | 2001 Balance b/d 1,800 |
| | 2002 Balance b/d | 1,800 | 2002 Recouped 1,800 |
| | 2003 Majuto Mjukuu | 2,400 | 2003 Balance b/d 2,400 |
| | 2004 Balance b/d | 2,400 | 2004 Recouped 800 |
| | | | 2004 Balance b/d 1,600 |
| | | 2,400 | |
| | 2005 Balance b/d | 1,600 | 2005 Recouped 1,000 |
| | | | 2005 Profit and loss 600 |
| | | 1,600 | |

Extract 2.2.1 shows the candidate who managed to open Royalty Payable, Short working and Landlord accounts and record amount for Royalty and post all transactions in their respective accounts.

Candidates who performed moderately in this question scored from 6 to 9 marks. Such candidates managed to calculate the value produced per tons, amount of short working in the year concerned but they failed to transfer those transactions to the Royalty Payable, Short working and Landlord accounts. Those candidates lacked knowledge on the concept of Accounting for Royalties.

On the other hand, the candidates who performed poorly in this question, who scored from 0 to 5 marks were not able to calculate correctly all the components required. They failed to calculate the value produced per tons, amount of short working in the year concerned, cash to be paid and amount of royalties payable in each year. A sample of such responses is shown in extract 2.2.2

Extract 2.2.2

| DR RENT PAYABLE ACCOUNTS CR | | | |
|------------------------------|-----------------|------------------------------|-------|
| 1.1.2004 Balance b/d | 5600 | 31.12.2004 Profit and loss % | 4800 |
| 31.12.2004 MAJUTO | 8000 | 1.1.2004 Balance c/d | 8800 |
| | 13600 | | 13600 |
| 1.1.2005 Balance b/d | 8800 | 31.12.2005 Profit + Loss % | 7800 |
| 31.12.2005 MAJUTO | 8000 | 31.12.2005 Balance % | 9000 |
| | 16800 | | 16800 |
| 1.1.2006 Balance b/d | 9000 | 31.12.2005 Profit + Loss % | 1400 |
| 31.12.2006 MAJUTO | 8000 | 31.12.2005 Balance % | 15600 |
| | 17000 | | 17000 |
| 1.1.2007 Balance b/d | 15,600 | | |
| DR SHORT WORKINGS ACCOUNT CR | | | |
| 31.12.2001 Rent Payable | 1800 | 31.12.2001 Balance c/d | 1800 |
| | 1800 | | 1800 |
| 31.12.2002 Balance b/d | 1800 | 31.12.2002 Balance c/d | 1800 |
| | 1800 | | 1800 |
| 1.1.2003 Rent Balance b/d | 1800 | | |
| 31.12.2003 Rent Payable | 2400 | 31.12.03 Balance c/d | 4200 |
| | 4200 | | 4200 |
| 1.1.2004 Balance b/d | 4200 | | |

Extract 2.2.2 shows the candidate who was not able to open Royalty Payable and Landlord accounts instead he/she opened Rent Payable account which was not required, short working account and recorded wrong entries in those accounts.

2.2.3 Question 3: Partnership Accounting (Dissolution)

The question was divided into two parts (a) and (b). Part (a) of the question candidates were required to prepare books of accounts for the dissolution while in part (b) candidates were required to state advantages of partnership.

The question was attempted by 75.8 percent of all candidates. The candidates performance shows that 0.8 percent scored 0 mark, 5.9 percent scored 0.5 to 3.5 marks, 24.4 percent scored 4 to 7 marks, 51.2 percent scored 7.5 to 10.5 marks, 17.7 percent scored from 11 to 17.5 marks out of 20 allotted and there was no any candidate who scored full marks in this question. The candidates' performance in this question was good.

Most of the candidates who attempted this question in part (a) provided partially correct responses; they managed to prepare realization account, cash account and partners' capital account but they failed to post all transactions required in those accounts and this made them to score few marks. Responses in part (a) showed that candidates had no ideas with the requirement of the question. Extract 2.3.1 illustrates a sample of partial correct responses.

Extract 2.3.1

| | | | | | | | | |
|------|--------------------------|---------|--------------------------------|---------|---------------------|--------|---------|---------|
| 3(a) | REALIZATION ACCOUNT | | | | | | | |
| | Office Furniture | 10000 | Takeover by Juma (stock) | 405,000 | | | | |
| | Buildings | 150,000 | Taken over by Makanga; | | | | | |
| | Debtors | 280,000 | (Bill Receivable) | 48770 | | | | |
| | Bill Receivable | 50000 | Taken over by makanga; | | | | | |
| | Stock in trade | 450,000 | Office furniture | 9000 | | | | |
| | | | Taken over by Lubunga; Bukaruf | 344,000 | | | | |
| DL | PARTNERS CAPITAL ACCOUNT | | | | | | | |
| | Debits | JUMA | LUBUNGA | MAKANGA | Debits | JUMA | LUBUNGA | MAKANGA |
| | book asset | - | 344000 | - | Balance b/d | 300000 | 200000 | 100000 |
| | stock | 405000 | - | - | Interest on Capital | 15000 | 10000 | 5000 |
| | Bill receivable | - | - | 48770 | bill payable | 40000 | - | - |
| | office fixture | - | - | 9000 | Creditor | - | 300000 | - |

Extract 2.3.1 illustrates a sample of partial correct responses whereby candidates recorded transactions in realization and partners' capital accounts.

The candidates who scored from 6 to 9 marks recorded the items of direct entries which do not need any adjustments for instance, balance brought forward in partners' capital accounts, cash account and assets realized in realization account.

The candidates who performed well in part (b) they provided clear explanations with all necessary key words, good mastery of English Language and well organized flow of ideas on the advantages of partnership firm. This indicates that the candidates in this category had sufficient knowledge on the topic of Partnership. Extract 2.3.2 shows one of the candidate's script who responded relevant with the demand of the question.

Extract 2.3.2

| | |
|---|---|
| ⑥ | Partnership, is The form of business unit formed by two person and above up to 20 for the aim of carrying out business for profit purpose. The partnership has the following advantages: Enable business expansion, in partnership business can expand due to introduction of capital from other admitted partner. Sharing of losses, in partnership losses are shared among all partner hence no direct pinch is felt when the partnership business incur losses. Expansion of ideas and skills, also in partnership skills and ideas are expanded since different people (partners) may have different talents and ideas in the business. Facilitate efficient and effective decision making, also partnership creates efficient decision through sharing of views by different partners on certain business matter. Enable specialization and division of work, also in partnership different |
|---|---|

Extract 2.3.2 presents a sample of one of the correct responses quoted from a candidate's script. This candidate managed to explain clearly the advantages of partnership firms.

In part (b) the candidates who performed poorly showed a number of weaknesses in various aspects including failure to explain clearly the advantages of partnership. They also demonstrated a poor command of English Language and lack of knowledge. Furthermore, some candidates showed that they have an idea on the question but failed to organize their answers in a systematic manner. A sample of such responses is shown in extract 2.3.3.

Extract 2.3.3

| | |
|----|---|
| 3b | <p>partnership is the association of two up to twenty person who have agreed to conduct business activities together in which each partner should contribute the capital of the business according to the agreement of partners. The following below are the advantages of partnership.</p> <p>Easy to raise capital: the partnership business it is easy to raise the amount of capital because each member have to contribute the capital of the business which enable the firm to operate in the large business services which enable the partnership to earn more profit from the business operation.</p> <p>Share of loss: in the partnership the loss of the business is shared by the partner according to the agreed ratios.</p> <p>Continuity of the business: in the partnership there is large possibility of the business continuity because the loss of the business is shared equally and the business is not affected when the partner bankrupt or die.</p> <p>Raise of good will: in the partnership the goodwill of the business will be raised because the business operation will be conducted in effective and efficiency way will enable them to create good reputation to the business.</p> <p>Enjoy Economies of scale: in the partnership the company enjoy the economies of scale due to the large expansion of business which enable the partners to enjoy economies of scale.</p> |
|----|---|

Extract 2.3.3 shows the candidate who was not able to explain the advantages of Partnership instead he or she explained the advantages of limited company such as continuity of the business, enjoyment of economies of scale and explained also the meaning of partnership which was contrary to the requirement of the question.

2.2.4 **Question 4: Container Accounts**

The candidates were required to prepare the ledger accounts for the firm's book by using Depreciation Method.

The question was attempted by 88.1 percent of all candidates. The performance of the candidates was as follows; 0.5 percent scored 0 mark, 2.6 percent scored 0.5 to 3.5 marks, 8.6 percent scored 4 to 7 marks, 36.3 percent scored 7.5 to 10.5 marks, 20.5 percent scored from 11 to 14 marks, 31.5 percent scored 14.5 to 19.5 marks out of 20 allotted and there was no any candidate who scored full marks in this question. Performance of the candidates in this question was very good.

The candidates who performed well in this question scored from 10 to 19.5 marks and were able to calculate correctly most of the components required. The candidates managed to prepare cases stock account, cases suspense account as well as income statement. They were also able to calculate the value of retained containers, depreciation per year and ascertain the value of profit earned on containers sent. However, the variation of their scores was determined by the correctness of the accounts opened. A sample of such responses is shown in extract 2.4.1

Extract 2.4.1

| ON CASES PROFIT AND LOSS ACCOUNT | | | |
|----------------------------------|--------|---|--------|
| Particular | Amount | Particular | Amount |
| Depreciation | 12000 | Hiring charges | 25600 |
| Cases scrap sold | 6000 | | |
| Cases destroyed | 36000 | Cases sold | 100 |
| Net profit | 170400 | Cases kept profit (112-VR) cases kept (400-300) 400 | 44000 |
| | 300000 | | 300000 |

4. WORKING

Purchases rate (PR) = 500
 Invoice rate (IR) = 600
 Returnable rate (RR) = 400
 Valuation rate (VR) = 300

\therefore PR = 500
 IR = 600
 RR = 400
 VR = 300

Depreciation = (PR - VR) Cases purchased
 $(500 - 300) 6000$
 $200 \times 6000 = 120000$

Hiring Profit = (IR - RR) Cases in use
 $(600 - 400) 12800$
 200×12800
 $= 256000$

| 4. | DR | Cases stock A/c | | | | | | CR |
|--------|--|-----------------|------|-----------|------------------------------------|-----------|------|-----------|
| | Particulars | Quantity | Rate | Amount | Particulars | Quantity | Rate | Amount |
| Year 1 | | | | | Year 1 | | | |
| | Jan 1 Balance b/d - warehouse | 4000 | 300 | 1,200,000 | Dec 1 Cases destroyed by fire | 1200 | 300 | 360,000 |
| | - customer | 8400 | 300 | 2,520,000 | Dec 1 ^{Profit} Cases sold | 2000 | 300 | 600,000 |
| | Bankers' Purchases | 6000 | 500 | 3,000,000 | Dec 1 Cases returned: lost kept | 4400 | 300 | 1,320,000 |
| | | | | | Dec 1 Depreciation | - | - | 1,200,000 |
| | | | | | Dec 1 Balance b/d - Warehouse | 6080 | 300 | 1,824,000 |
| | | | | | - Customer | 7600 | 300 | 2,280,000 |
| | | 18400 | | | | 18400 | | |
| Year 2 | | | | | | | | |
| | Jan 1 Balance b/d - Warehouse | 6080 | 300 | 1,824,000 | | | | |
| | - Customer | 7600 | 300 | 2,280,000 | | | | |
| | | | | | | | | |
| DR | Cases suspense A/c | | | | | | CR | |
| | Particulars | Quantity | Rate | Amount | Particulars | Quantity | Rate | Amount |
| Year 1 | | | | | Year 1 | | | |
| | Dec 1 Cases returned | 9200 | 400 | 3,680,000 | Jan 1 Balance b/d | 8400 | 400 | 3,360,000 |
| | Dec 1 Cases kept | 4400 | 400 | 1,760,000 | Dec 1 Cases sent | 12800 | | |
| | Dec 1 Hiring charge | - | - | | | | | |
| | Dec 1 Balance b/d | 7600 | 400 | 3,040,000 | | | | |
| | | 21200 | | | | 21200 | | |
| Year 2 | | | | | Year 2 | | | |
| | | | | | Jan 1 Balance b/d | 7600 | 400 | 3,040,000 |
| DR | Cases Profit and Loss Account at 31 December | | | | | | CR | |
| Year 1 | | | | | Year 1 | | | |
| | Dec 1 Value of Cases destroyed by fire | 360,000 | | | Dec 1 Hiring charge (6000 x 400) | 2,400,000 | | |
| | Dec 1 Value of Cases sold | 600,000 | | | Dec 1 Profit on kept (4000 x 300) | 1,200,000 | | |
| | Dec 1 Depreciation (5000-300) 6000 | 1,200,000 | | | Dec 1 Cash received | | | 100 |
| | Dec 1 Profit | | | 1,704,100 | | | | |
| | | | | 3,000,100 | | | | 3,000,100 |

Extract 2.4.1 shows the candidate who produced correct responses to the question. This candidate managed to prepare cases stock account, cases suspense account and he or she was able to calculate the value of depreciation and hiring charges on containers sent to customers.

On the other hand, the candidates who scored from 0 to 5 marks were not able to calculate correctly all the components required. The candidates failed to prepare cases stock account, cases suspense account as well as income statement. Moreover, they were not able to calculate the value of retained containers, depreciation per year and ascertain the value of profit earned on containers sent account. A sample of such responses is shown in extract 2.4.2

| | DATE | RECEIPT | PURCHASING | AMOUNT | TOTAL DATE | CMPANY | AMOUNT | TOTAL |
|-------------------|-------------|---------|----------------|---------|------------|--------|-------------|-------------------|
| 1st Jan | Stock | 4,000 | S,900 -4100 | 4400 | | 500 | 4400 500 | R. <u>108</u> |
| | R. in word | 8,400 | 4400 | 4400 | | | | |
| 3rd Decr | purchases | 6,000 | 1200 -6000 | 4800 | 4800 | 600 | 4800 600 | 288 <u>108</u> |
| | R. Out word | 1200 | 4800 | 4800 | | | | |
| | Purchasing | 12800 | 12800 | | | | | |
| | Klashing | 9,200 | -9200 | 3600 | | 400 | 3600 400 | 174 <u>108</u> |
| | | 200 | 3600 | | | | | |
| | R. in word | 7600 | 7600 | | | 300 | | |
| Deduct 3rd st. | | 100 | -300 | | | | 7300 300 | R19 <u>104</u> |
| | B/c | | 7300 | | | | | |
| | | | | 59,200% | | B/C | 272 | 0000 |
| G ^d | | | | | | | | |

D/C = 27,150,300

2.2.5 **Question 5: Company Accounts**

The candidates were required to prepare accounts in the books of Mango and Orange Company as well as Cash Account.

The question was attempted by 89.6 percent of all candidates. The performance of the candidates shows that 0.4 percent scored 0 mark, 2.7 percent scored 0.5 to 3.5 marks, 6.6 percent scored 4 to 7 marks, 26.2 percent scored 7.5 to 10.5 marks, 40.6 percent scored from 11 to 14 marks, 23.4 percent scored 14.5 to 19.5 marks and only 1 candidate (0.1%) scored 20 marks out of 20 allotted marks. The performance of the candidates in this question was very good.

The candidates who performed well in this question (74.1%) scored from 10 to 20 marks as they were able to meet the demands of the question and they had adequate knowledge on the topic of Company Account specifically on the issue of shares. The candidates were able to calculate correctly the values for application and allotment monies, first and final call, the amount of calls in arrears, the value of share premium as well as the value of forfeited shares. They also managed to transfer those transactions to the cash account. Extract 2.5.1 shows the candidate who produced correct response to the question.

Extract 2.5.1

| | | | |
|---|------------------------|--------------------------|-------------------------------|
| 5 | DR | APPLICATION ACCOUNT | CR |
| | Ordinary share capital | 100,000 | Bank 100,000 |
| | | | |
| | DR | ALLOTMENT ACCOUNT | CR |
| | Ordinary share capital | 100,000 | Bank 120,000 |
| | Share premium | 20,000 | |
| | | 120,000 | 120,000 |
| | | | |
| | DR | CALL ACCOUNT | CR |
| | Ordinary share capital | 200,000 | Bank 190,000 |
| | | | Calls in arrears 10,000 |
| | | 200,000 | 200,000 |
| | | | |
| | DR | CALLS IN ARREARS ACCOUNT | CR |
| | Call | 10,000 | Forfeiture 10,000 |
| | | | |
| | DR | FORFEITURE ACCOUNT | CR |
| | Calls in arrears | 10,000 | Ordinary share capital 20,000 |
| | Reissue account | 8,000 | |
| | Share premium | 2,000 | |
| | | 20,000 | 20,000 |
| | | | |
| | DR | REISSUED ACCOUNT | CR |
| | Ordinary share capital | 10,000 | Bank 2,000 |
| | | | Forfeiture 2,000 |
| | | 10,000 | 10,000 |

| | | | |
|---|--------------------------------------|--------------------------------|---------|
| 5 | DR | SHARE PREMIUM ACCOUNT | CR |
| | | Allegation | 20,000 |
| | Balance c/d | Forfeiture | 2,000 |
| | | 22,000 | 22,000 |
| | | Balance b/d | 22,000 |
| | DR | ORDINARY SHARE CAPITAL ACCOUNT | CR |
| | Forfeiture | Application | 100,000 |
| | | Allegation | 100,000 |
| | | Call | 200,000 |
| | Balance c/d | Reserve | 10,000 |
| | | 410,000 | 410,000 |
| | | Balance b/d | 390,000 |
| | DR | CASH/BANK ACCOUNT | CR |
| | Application | 100,000 | |
| | Allegation | 120,000 | |
| | Call | 100,000 | |
| | Reserve | 200,000 | 412,000 |
| | | 412,000 | 412,000 |
| | Balance b/d | 412,000 | |
| | WORKINGS | | |
| | Application : Ordinary share capital | 4,000 x 25 = 100,000 | |
| | Bank | 4,000 x 25 = 100,000 | |
| | Allegation : Ordinary share capital | 4,000 x 25 = 100,000 | |
| | Bank | 4,000 x 30 = 120,000 | |
| | Share premium | 4,000 x 5 = 20,000 | |

Extract 2.5.1 presents a sample of one of the candidate's good response. This candidate managed to apply knowledge on Company Account and succeeded to enter transactions correctly in all required accounts.

It was further noted that, most of the candidates who scored from 6 to 9 marks in this question managed to prepare some of the required accounts but they failed to prepare other accounts.

However, the candidates who performed poorly in this question that is who scored from 0 to 5 marks they were not able to open all required accounts in the books of Mango and Orange Company. Moreover, they failed to calculate the values for application and allotment monies, first and final call, amount of calls in arrears, the value of share premium as well as the value of forfeited shares. Furthermore, they failed to transfer those entries to the cash account. It was also noted that, the candidates had no clear understanding of the concept. Extract 2.5.2 shows the candidate who provided incorrect response to the question.

Extract 2.5.2

| CASH ACCOUNT | | | | | | |
|--------------|-------------|---------------|-----------|------------------------|---------------|--|
| Date | Details | Amn | Date | Details | Amn | |
| 11/Jan/06 | Application | 2,500 | 31/Jan/06 | Ordinary share Capital | 15,000 | |
| 11/Jan/06 | Allotment | 3,000 | | | | |
| 11/Jan/06 | Premium | 5,000 | | | | |
| 11/Jan/06 | Allotment | 2,500 | | | | |
| 11/Jan/06 | Calls | 5,000 | | | | |
| | | <u>15,000</u> | | | <u>15,000</u> | |

| APPLICATION ACCOUNT | | | | | | |
|---------------------|--------------------|-------|-----------|---------|-------|--|
| Date | Details | Amn | Date | Details | Amn | |
| 31/Jan/06 | Ordinary share Cap | 2,500 | 15/Jan/06 | Cash | 2,500 | |

| ALLOTMENT ACCOUNT | | | | | | |
|-------------------|--------------------|-------|-----------|---------|-------|--|
| Date | Details | Amn | Date | Details | Amn | |
| 31/Jan/06 | Ordinary share Cap | 2,500 | 11/Jan/06 | Cash | 2,500 | |

Extract 2.5.2 shows the candidate who lacked mathematical skills as he or she was not able to calculate values for application and allotment monies, first and final call as well as the value of forfeited shares. This candidate also failed to transfer those transactions to the cash account.

2.2.6 Question 6: Hire Purchase Accounting and Stock Valuation

The question had two parts (a) and (b). In part (a) the candidates were required to prepare Hire Purchase Trading, Hire Purchase Debtors, Goods Sent on Hire Purchase, Hire Purchase Sales, General Trading and Profit and Loss Accounts while in part (b) the candidates were required to compute the amount of sales and purchases, the cost value of stock in store as well as the amount to be claimed from the Insurance Company.

The question was attempted only by 32.7 percent of all candidates and the performance was good as 2.9 percent scored 0 mark, 10.3 percent scored 0.5 to 3.5 marks, 19.9 percent scored 4 to 7 marks, 27.2 percent scored 7.5 to 10.5 marks, 26.8 percent scored from 11 to 14 marks, 12.9 percent scored 14.5 to 19 marks out of the 20 allotted and there was no any candidate who scored full marks in this question.

The general performance in part (a) of this question was poor. This is showed by the weaknesses of the candidates in various aspects; including failure to give correct entries in the accounts named and calculate the amount of unrealized profit in Hire Purchase Trading account. This indicates that there was a problem in understanding the concept of Hire Purchase Accounting. A sample of such responses is shown in extract 2.6.1.

Extract 2.6.1

| | | | |
|---|------------------|-------------|----------------------------------|
| HIRE PURCHASE TRADING A/c- | | | |
| 600 | HP purchases | 432,000,000 | Cash purchases - 360,000,000 |
| | | | Trading A/c 72,000,000 |
| | | 432,000,000 | 432,000,000 |
| HIRE PURCHASE DEBTORS A/c | | | |
| | Cash Received | 100,800,000 | Hire purchases sales 204,000,000 |
| | HP sales - | 103,200,000 | HP sales |
| | | 204,000,000 | 204,000,000 |
| GENERAL TRADING A/c. | | | |
| | HP purchases | 72,000,000 | HP sales 204,000,000 |
| PROFIT AND LOSS A/c. | | | |
| | General expenses | 39,200,000 | Gross profit 68,000,000 |
| | HP Net profit | 28,800,000 | |
| | | 68,000,000 | 68,000,000 |
| cost cash sales, 126,000,000 - 5210 x 600,000 HP sales 340 x 400,000 = 136,000,000 HP sales 340 x 600,000 = 204,000,000 HP Gross profit = 68,000,000 | | | |

Extract 2.6.1 shows the candidate who did not understand the demand of the question. This candidate failed to calculate the amount of unrealized profit in Hire Purchase Trading account.

The candidates who performed well in part (a) demonstrated a clear understanding about Hire Purchase Concept, as they were able to open all required accounts. Not only had they managed to calculate the amount of unrealized profit in Hire Purchase Trading account but also were able to record those transactions in the respective accounts. Extract 2.6.2 illustrates a sample of correct responses.

| | |
|---|-------------|
| (i) HIRE PURCHASE TRADING A/c. | |
| Cost of hire purchases | 136,000,000 |
| Hire purchase sales | 244,800,000 |
| Provision for unrealized profit | 64,000,000 |
| Gross profit realized | 44,800,000 |
| | 244,800,000 |
| | 244,800,000 |
| (ii) HIRE PURCHASE DEBTORS A/c. | |
| Hire purchase sales | 244,800,000 |
| Cash received | 100,800,000 |
| Balance b/d | 144,000,000 |
| | 244,800,000 |
| Balance c/d | 144,000,000 |
| (iii) GOODS SENT ON HIRE PURCHASE A/c. | |
| Purchases on HP | 136,000,000 |
| Hire purchases sales | 136,000,000 |
| (iv) HIRE PURCHASE SALES A/c. | |
| Hire purchase trading | 244,800,000 |
| Hire purchase debtors | 244,800,000 |

48

Part (b) of this question was correctly done by most of the candidates compared to part (a). Many candidates were able to use the right formulae in calculating the amount to be claimed from the Insurance Company and the value of stock in store. Moreover, most candidates managed to open creditors and debtors control accounts in order to ascertain figures for credit purchases and sales respectively. Extract 2.6.3 illustrates a sample of correct responses.

Extract 2.6.3

6

(b)

Given

Gross Profit margin 25% on cost

$$\text{markup} = 25\% = \frac{1}{4}$$

$$\text{Margin} = \frac{1}{4+1} = \frac{1}{5} \text{ or } 20\%$$

ii

| Debit | Debtor Sales | % | Credit |
|--------------|----------------|---|----------------------------|
| Balance b/d | 46,000 | | Cash |
| Credit Sales | 77,000 | | Discount allowed to debtor |
| | | | 1000 |
| | | | Balance y/d |
| | | | 65,000 |
| | <u>123,000</u> | | <u>123,000</u> |

| Debit | Credit | Purchases Control | % | Credit |
|---------------------------------|----------------|-------------------|---|----------------|
| Balance y/d | | Balance b/d | | 54,000 |
| Cash | 51,200 | Credit Purchases | | 48,000 |
| Discount Received from creditor | 1,800 | | | |
| Balance y/d | <u>49,000</u> | | | |
| | <u>102,000</u> | | | <u>102,000</u> |

| | | | |
|---|---------------------------------------|-------|---------------|
| (b) | | | |
| ii) Debit | Trading Account | | Credit |
| Opening stock | 62,000 | Sales | 77,000 |
| Add: Purchases | 48,000 | | |
| | 110,000 | | |
| less: Closing stock 45,000 | | | |
| Donated stock 3,400 | 48,400 | | |
| Cost of goods sold | 61,600 | | |
| Gross profit ($\frac{1}{5} \times 77,000$) | 15,400 | | |
| | 77,000 | | 77,000 |
| | | | |
| \therefore Cost Value of stock in store on 5 th May 2008 is 45,000/- | | | |
| | | | |
| (iii) Insurance Claim | Stock destroyed | | |
| | = Sum Insured \times Salvage Values | | |
| | Stock in store | | |
| Sum Insured = 42,000 | | | |
| Stock in store = 45,000 | | | |
| Salvage Value = | | | |
| - Stock Destroyed = Stock / Closing stock - Salvage Values | | | |
| | 45,000 - 6,000 | | |
| Stock Destroyed = 39,000 | | | |
| Insurance claim = $\frac{42,000 \times 39,000}{45,000}$ | | | |
| | | | 1,638,000.000 |
| | | | 45,000 |
| | | | 45,000 |
| | | | = 36,400 |
| \therefore Amount to be claimed from the Insurance Company = 36,400/- | | | |

Extract 2.6.3 it is evident that the candidate's managed to calculate correctly the amount to be claimed from the Insurance Company.

However, the candidates who performed moderately in this question managed to provide good response in part (b) of the question but failed to meet the demands of question in part (a). This was attributed by the fact that the concept of Hire Purchase was not familiar to them and they had insufficient knowledge.

On the other hand, few candidates who performed poorly were not able to use the right formulae in calculating the amount to be claimed from the Insurance Company and the value of stock in store. Moreover, most of the candidates failed to open creditors and debtors control accounts in order to ascertain figures for credit purchases and sales respectively. Extract 2.6.4 illustrates a sample of incorrect responses.

Extract 2.6.4

| | |
|-----|--|
| 6b | |
| ii | The cost value of stock in store on 5 th May 2008 |
| | Stock 31 st March 2008 |
| | Add debtors 2008 46000 |
| | + debtors 5 th May 65000 |
| | Receipts from debtors 57000 |
| | Discount received from 169800 |
| | Creditors 1800 |
| | Stock donated 231800 |
| | Less: Creditors 2008 54000 |
| | Creditors on May 49000 |
| | Discount allowed to 1000 |
| | debtors |
| | Payment to Creditors 51200 |
| | Stock donated to a 3400 |
| | charity |
| | Stock salvaged from fire 6000 164600 |
| | Stock in store on 5 th May 2008 67200 |
| iii | The amount to be claimed from insurance company |
| | Insurance claim: The value of stock x 100 less |
| | Amount insured |
| | 67200 x 63800 |
| | 42000 |
| | The amount to be claimed from insurance company 102,080 |

Extract 2.6.4 shows one of the candidate's responses who went astray. This candidate used wrong formula in calculating the amount to be claimed from Insurance Company.

2.2.7 Question 7: Payroll Accounting and Company Accounts

The question consisted of two parts (a) and (b). In part (a) the candidates were required to construct the Payroll summary of the organization for the month of January and to prepare the general journal for the payroll showing the payment of liabilities. In part (b) the candidates were required to prepare 10% debenture, debenture redemptions fund, Debenture redemption fund investment as well as Debenture interest accounts.

The question was attempted by 73.5 percent of all candidates. The performance of the candidates in this question was as follows: 2.3 percent scored 0 mark, 23.7 percent scored 0.5 to 3.5 marks, 18.8 percent scored 4 to 7 marks, 20.4 percent scored 7.5 to 10.5 marks, 27.3 percent scored from 11 to 14 marks, the rest 7.5 percent scored 14.5 to 18 marks out of the 20 allotted and there was no any candidate who scored full marks in this question. These data indicate that candidates' performance in this question was good.

Few candidates who scored low marks in part (a) were able to calculate the amount for Pay As You Earn (PAYE) tax, NSSF as well as the amount of net pay for each department for the month but they failed to enter those transactions in payroll summary as well as in the general journal. A sample of such responses is shown in extract 2.7.1.

Extract 2.7.1

7(a)i

| Payroll Summary | | | | | | | | |
|-----------------|-----------|------------------------------|-----------|-----------------|------|-------|---------|-----------------|
| NAME | BASIC PAY | OVER TIME or ALLOWANCE | GROSS PAY | LOAN ADVANCE | PAYE | NSSF | NET PAY | NOT TAKING HOME |
| Sales | 73425 | | 86085 | 36300 | 3331 | 8663 | 38331 | |
| Purchases | 96255 | | 112615 | 24750 | 4635 | 11270 | 72040 | |
| Society | 37785 | | 46220 | 18130 | 1442 | 4422 | 20206 | |
| | | | 243540 | 79200 | 9408 | 24355 | 130577 | |

Extract 2.7.1 shows one of the candidate's good response who managed in calculating the amount for Pay As You Earn (PAYE) tax, NSSF as well as the amount of net pay per month but failed to post to payroll summary and in the general journal.

In part (a) most of the candidates were not able to construct the payroll summary of the organization for the month of January, the general journal for the payroll showing the payment of liabilities and they also failed to record the transactions correctly. Moreover, those candidates failed to calculate the amount for Pay As You Earn tax, NSSF as well as the amount of net pay for each department for the month. A sample of such responses is shown in extract 2.7.2.

Extract 2.7.2

| | | | | |
|-----|-----|-----------------------|----------------------|--------------|
| 7 a | ii) | JOURNAL ENTRY PAYROLL | | |
| | | DATE | DETAILS- | DEBIT CREDIT |
| | | | sales Basic pay | 73 425 - |
| | | | Gross Pay | 86 625 - |
| | | | loan and Advance | 36 300 - |
| | | | Tax payable | - 5831.25 |
| | | | Tax payable | - 5171.25 |
| | | | NSSF | - 8662.50 |
| | | | Purchases Department | |
| | | | Basic pay | 96 255 |
| | | | Gross pay | 112 695 |
| | | | loan and advances | 24 750 |
| | | | Tax payable | - 6311.25 |
| | | | Tax payable | - 7134.75 |
| | | | NSSF | - 96 25.50 |
| | | | NSSF | - 112 69.50 |
| | | | Cash | 184 04.25 - |
| | | | Security | |
| | | | Basic pay | 37 785 - |
| | | | Gross pay | 44 220 - |
| | | | loan and advances | 18 150 - |
| | | | Tax payable | - 2833.28 |
| | | | Tax payable | - 3316.5 |
| | | | NSSF | - 3778.5 |
| | | | NSSF | - 4422 |
| | | | Cash | 6612.38 - |

Extract 2.7.2 shows one of the candidate's responses who did not address the demand of the question. It is evident that the candidate was not able to calculate the amount for Pay As You Earn (PAYE) tax, NSSF as well as the amount of net pay per month hence transferred wrong amount to the general journal.

The candidates who performed well in part (b) of this question adhered to the demands of the question. They demonstrated enough knowledge on the topic of Company Accounts specifically on the issue of Debentures as they managed to provide correct responses. The candidates were able to prepare the required accounts which were 10% debenture, debenture redemptions fund, Debenture redemption fund investment as well as Debenture interest accounts. Moreover, they succeeded to calculate interest on debentures and they were able to give correct entries in the respective accounts. Extract 2.7.3 illustrates a sample of correct responses.

Extract 2.7.3

| 7(b) | (a) Dr | DEBENTURE INTEREST A/C | Cr |
|------|-------------------------------------|-------------------------------|---|
| | 30.9.2008 Bank | | 31.3.2009 Profit and loss 9700 |
| | (100,000 \times 1% \times 6/12) | 5000 | |
| | 31.03.2008 | | |
| | Debenture redemption | | |
| | (12,000 \times 1% \times 9/12) | 300 | |
| | 31.3.2008 Bank | | |
| | (88,000 \times 1% \times 5/12) | 4400 | |
| | | 9700 | 9700 |
| | | | |
| | | | |
| 7(b) | (a) Dr | 10% DEBENTURE A/C | Cr |
| | 31.03.2008 debenture | | 1.4.2008 balance b/d 100,000 |
| | redemption | 12,000 | |
| | 31.3.2009 | | |
| | Balance b/d | 88,000 | |
| | | 100,000 | 100,000 |
| | | | |
| | | | 1.4.2009 balance b/d 88,000 |
| | | | |
| | | | |
| | (b) Dr | DEBENTURE REDEMPTION FUND A/C | Cr |
| | 31.03.2008 General reserve | 12,000 | 1.4.2008 balance b/d 20,000 |
| | 31.3.2009 | | 31.03.2008 debenture redemption fund |
| | Balance b/d | 13,900 | investment 1400 |
| | | | 31.03.2008 debenture redemption 900 |
| | | | 31.3.2009 profit and loss appropriation 2000 |
| | | | 31.3.2009 interest on redemption 1600 |
| | | 25,900 | 25,900 |
| | | | 1.4.2009 balance b/d 13,900 |

Extract 2.7.3 illustrates one of the candidate's correct answers. This candidate managed to open: 10% debenture, debenture redemptions fund, Debenture redemption fund investment as well as Debenture interest accounts and managed to record transactions well in those accounts.

Extract 2.7.4

Extract 2.7.4 illustrates one of the candidate's incorrect responses. This candidate managed to open: 10% debenture, debenture redemptions fund, Debenture redemption fund investment as well as Debenture interest accounts but failed to record transactions well in those accounts.

3.0 CONCLUSION AND RECOMMENDATIONS

3.1 Conclusion

The analysis given in this report has shown some of potentials candidates had in Accountancy subject. The most notable strengths shown include the candidate's ability to: identify the task of the questions, perform various calculations and apply most concepts related to the subject. Moreover, most candidates performed well in the questions which were set from the following topics: Depreciation of Non-Current Assets, Correction of Accounting Errors, Investment Account, Financial Statement Analysis and Interpretation, The Nature and Context of Accounting, Partnership Accounting (Dissolution), Investment Account, Container Accounts, Hire Purchase Accounting, Stock Valuation, Accounting for Royalties, Company Accounts, Payroll Accounting and Auditing since most of them scored 30 percent and above. (See Appendix)

It has been noted that some candidates experienced problems in answering questions which involved problem solving; for example, all candidates (100%) who attempted question 5 in paper one scored half of the allocated marks. Moreover, other questions which involved calculations such as question 2(b), 4 and 7(b) in paper 1 had low performance.

Another noted serious problem was that some candidates failed to express themselves in English Language. This problem was revealed in question 1 in both papers.

3.2 Recommendations

In order to improve the performance of the future candidates it is recommended that:

- (a) Teachers should guide students to identify specific tasks of the questions.
- (b) Students should be encouraged to solve as many questions as possible. Through practice, they will learn different techniques of solving problems and tackling examination questions.
- (c) Students should have enough time to practice using English Language. They should be given a lot of tasks which will help them write, speak, read and listen to various English texts. This will eventually help them to improve the English Language skill which is a contributing factor to their poor performance in the examination.

- (d) The candidates should be motivated whenever they perform well in classroom tests, end of term test and mock examinations.
- (e) Teachers should put more emphasis in teaching the principles of double entry system.

Appendix

Summary of Analysis of Performance of Candidates in Each Topic

| S/N | TOPIC | NUMBER OF QUESTIONS | PERCENTAGE OF CANDIDATES WHO SCORED 30 PERCENT AND ABOVE | REMARKS |
|-----|---|------------------------|---|---------|
| 1 | Accounting for Royalties | 1 | 96.7 | Good |
| 2 | Branch Accounting | 1 | 94.7 | Good |
| 3 | Company Accounts | 1 | 94.6 | Good |
| 4 | Depreciation of Non-Current Assets and Correction of Accounting Errors | 2 | 94.3 | Good |
| 5 | Container Accounts | 1 | 93.6 | Good |
| 6 | Recognition of Revenue and Expenses and Financial Statement Analysis and Interpretation | 2 | 91.2 | Good |
| 7 | Partnership Accounting (Dissolution) | 1 | 84.8 | Good |
| 8 | The Nature and Context of Accounting | 1 | 83.7 | Good |
| 9 | Brief explanations; Final accounts and Accounting Concepts. | 5 | 77.8 | Good |
| 10 | Hire Purchase Accounting and Stock Valuation | 2 | 77.2 | Good |
| 11 | Auditing | 5 | 73.0 | Good |
| 12 | Investment Account | 2 | 66.0 | Good |
| 13 | Payroll Accounting and Company Accounts | 1 | 61.6 | Good |
| 14 | Preparation of Income Statement and Statement of Financial Position | 1 | 23.5 | Weak |

