

**THE NATIONAL EXAMINATIONS COUNCIL OF TANZANIA**



**CANDIDATES' ITEMS RESPONSE ANALYSIS FOR  
ACSEE 2015**

**153 ACCOUNTANCY**

**THE NATIONAL EXAMINATIONS COUNCIL OF TANZANIA**



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ACSEE 2015**

**153 ACCOUNTANCY  
(School Candidates)**

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## FOREWORD

The National Examinations Council of Tanzania is pleased to issue the Advanced Certificates of Secondary Education Examinations (ACSEE) 2015 candidates' items response analysis booklet of 153 Accountancy. The analysis 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 Examinations marks the end of two years of advanced secondary education. It is summative evaluation which among other things shows the effectiveness of 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 booklet intends to contribute towards understanding of some of the reasons behind good performance of candidates and those few who performed poorly. The report highlights some of the factors that made candidates to score high marks in the questions. Such factors include; ability of the candidates to adhere to the demand of the question, identify the task of the questions, ability of the candidates to express themselves in English Language and enough knowledge of the concepts related to the subject. Few candidates who scored low marks in the examinations failed to adhere to the demand of the questions and identify the task of the questions. They also showed inability of expressing themselves in English Language and lack of knowledge of 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 candidates' items response analysis booklet.

Finally, the Council would like to thank all the Examination Officers, Subject Examiners and staffs of the Department of Information and Communication Technology who participated in analyzing data used for this analysis.



Dr. Charles E. Msonde  
**EXECUTIVE SECRETARY**

## 1.0 INTRODUCTION

This booklet analyses the performance of the candidates in Accountancy for the Advanced Certificate of Secondary Education Examinations (ACSEE) in 2015. The examination paper was set according to the 2009 syllabus as indicated in 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 1,042 candidates sat for Accountancy examination. The results shows that 99.81 percent passed the examination with the following grades: grade A 11.9 percent; grade B<sup>+</sup> 51.25 percent; grade B 25.43 percent; grade C 9.21 percent; grade D 2.02 percent and 0.19 percent failed by obtaining grade E. The general performance of candidates in Advanced Certificates of Secondary Education Examinations (ACSEE) May, 2015 in Accountancy subject was good.

Accountancy examination results for three consecutive year's shows that in 2014 results were good compared to those of 2013. In 2015, 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	2013	1,777	1,660	93.42	117	6.58
2	2014	825	819	99.27	6	0.73
3	2015	1,042	1,040	99.81	2	0.19

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 questions. Selected extracts of students' 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: Preparation of Financial Statements and Recognition of Revenue and Expenses**

In this question the candidates were required to give brief explanations on *Investors*, *Transactions*, *Liabilities* and *Drawings Prepaid Expenses*. 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 79.9 percent of the candidates. Performance in this question was good as 83.1 percent scored from 10 to 20 marks, 15 percent scored from 5.5 to 9.5 marks and only 1.9 percent scored from 2 to 5 marks out of 20 allotted marks.

Most of the candidates who scored from 10 to 20 marks managed to explain each term accurately 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 illustrated in extract 2.1.1.

### Extract 2.1.1

01.	a) Investors:- This is the person who invest money or capital in the business. for example Mr. pius buy share of Tanzania shillings 1000,000 from Tanzania breweries comp any from that example Mr. pius invest Tanzania shillings 1000,000 to the business hence Mr. pius is the investors or A person who open a shop which cat a capital of Tanzania shilling 1500,000 that person is called investors. And their reward is profit or loss.
01.	b) Transaction:- This is the buying and selling of goods or services for the purpose of making profit. for example a Trader buy goods from the manufacturer or other trader at low price and sell them to the final consumer or trader plus their amount of profit. And transaction can be of cash transaction that is payment are made at a time of taking goods or credit transaction in payment are made after a certain period of time.
01.	c) Liabilities:- This is the financial obligation of the business. and these can be inform of longterm liabilities in which take a long pe

01.	c)	need of time to pay it. And current liabilities. These are short-term liabilities of the business for example Bank overdraft.									
01.	d)	Prepaid expenses:- This is the amount of money paid to a certain person or a company for a certain expense before the use of it. Prepaid expenses to the business it is an asset in form of current assets.									
01.	e)	Drawing:- This is the amount of money or goods drawn by the business owner for personal use. For example Mr. Puro draw cash from the business bank with 100/-, And draw the goods cost with 200/- all for his own use. They can appear in the books as follows.									
		<table> <tr> <th>DEBIT</th><th>DRAWINGS ALLOWANCE</th><th>CREDIT</th></tr> <tr> <td>Cash</td><td>100</td><td></td></tr> <tr> <td>Purchases</td><td>200</td><td></td></tr> </table>	DEBIT	DRAWINGS ALLOWANCE	CREDIT	Cash	100		Purchases	200	
DEBIT	DRAWINGS ALLOWANCE	CREDIT									
Cash	100										
Purchases	200										
		<table> <tr> <th>DEBIT</th><th>CASH ACCOUNT</th><th>CREDIT</th></tr> <tr> <td></td><td>Drawings</td><td>100</td></tr> </table>	DEBIT	CASH ACCOUNT	CREDIT		Drawings	100			
DEBIT	CASH ACCOUNT	CREDIT									
	Drawings	100									
		<table> <tr> <th>DEBIT</th><th>PURCHASE ALLOWANCE</th><th>CREDIT</th></tr> <tr> <td></td><td>Drawings</td><td>200</td></tr> </table>	DEBIT	PURCHASE ALLOWANCE	CREDIT		Drawings	200			
DEBIT	PURCHASE ALLOWANCE	CREDIT									
	Drawings	200									

Extract 2.1.1 shows a sample of the correct responses from the script of a candidate who adhered to the demand of the question. This candidate managed to provide clear explanations of the given accounting terms.

However, few candidates who performed moderately (scored from 6 to 9 marks) in this question, 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, some of the candidates who performed poorly, that 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 these candidates were not knowledgeable of the terms investors, transactions, liabilities, prepaid expenses and drawings. They provided unrelated responses with few sentences which were not understandable. For instance, one of the candidates explained the term *drawings* - means an accounting opened for the aim of recording money drawn from the account in cash. Moreover, other candidates failed to express themselves well and their responses were characterized by a lot of grammatical errors. A sample of incorrect responses is shown in extract 2.1.2.

### Extract 2.1.2

Qn1.	a/ Investors. Means an <del>person</del> account which is opened for the aim of recording capitals which is used to start a business.
	b/ Transactions Means an account opened during the process of selling and buying goods and recording them in the book.
	c/ Liabilities. Means an account opened for the aim of recording debts or when selling good without cash.
	d/ Prepaid expenses. There are an account which opened for the aim of recording the amount of expenses incurred but not yet paid or will be paid later
	e/ Drawings. Means an accounting opened for the aim of recording money drawn from the account in cash.

Extract 2.1.2 shows a sample of the incorrect responses from the script of a candidate. This candidate provided irrelevant responses on all given terms.

### **2.1.2 Question 2: Branch Accounts and Correction of Accounting Errors**

The question had two parts (a) and (b). In part (a) the candidates were required to prepare branch stock account at selling price, branch stock adjustment account, statement which shows the stock difference and to list four possible reasons for the stock difference while in part (b) they were required to prepare journal entries to record the shown errors and to prepare suspense account.

The question was attempted by 55.9 percent of the candidates. Analysis shows that 61.3 percent scored from 10 to 20 marks, 29.8 percent scored from 5.5 to 9.5 marks, 8.9 percent scored from 0 to 5 marks indicating that candidates' performance in this question was good.

Some of the candidates who performed well in part (a) managed to prepare branch stock account at selling price, branch stock adjustment account, statement which shows the stock difference and they were able to record all required entries in those accounts. Furthermore, they managed to get the correct amount of closing balance as was required in each account. Moreover, they succeeded to list possible reasons for the stock difference in the store. Extract 2.2.1 is a sample of the script of one the candidate who performed well.

[illegible]

7



It was further observed that, most of the candidates who performed moderately in part (a) managed to prepare branch stock account at selling price, branch stock adjustment account, statement which shows the stock difference but they failed to list possible reasons for the stock difference in the store and to get the accurate amount of closing balance as required in each account while others prepared only branch stock account at selling price and branch stock adjustment account. This indicates that those candidates had no enough knowledge on the concept of Branch Accounts.

Despite the good performance of the majority of candidates in this question, there were few candidates who did not have enough knowledge on preparation of branch stock account and they failed to enter correct entries in that account and they were not able to prepare branch stock adjustment account and statement which shows the stock difference. Others prepared goods sent to branch account which was not among the requirement of the question. Moreover, they failed to list possible reasons for the stock difference in the store and to get the exact figure for closing balance as was required in each account. Poor performance in this question indicates that those candidates were not familiar with the concept of Branch Accounts. Extract 2.2.2 shows the responses from the script of one of the candidate who attempted correctly the question.

**Extract 2.2.2**

BRANCH STOCK (ZANTI BAR)						
RECEIPT	DATE	DETAILS	BANK	DISCOUNT	CASH	REMARK
Branch stock	2010 1 <sup>st</sup> Jan		900,000	275,000		
					275,000	
GOOD SENT TO BRANCH (PENBA)						
RECEIPT	DATE	DETAILS	BANK	DISCOUNT	CASH	REMARK
		Good sent	5,000,000	125,000		
					125,000	

2	a)
	(iii) Statement which show the stock difference.
	Stock sold: each 899,400
	: sold. 18,700
	Add: Goods sent to another branch 32,000
	951,100
	Add: Reduction of selling price 22,500
	973,600
	Add: Closing stock 148,500
	1,122,100
	Less: Good sent from Head office 988,800
	Surplus 133,300
	iv) (i) Surplus:
	(ii) Return from branch dealer
	(iii) Return from Head office customers to branch.

Extract 2.2.2 illustrates a sample of the correct responses from the script of a candidate who prepared Branch Stock account and statement which shows the stock difference which recorded wrong entries. This candidate also prepared good sent to branch account contrary to the demand of the question.

However, some candidates who 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 the correct responses.

### Extract 2.2.3

02	(b)(i) correction of errors:					
	JOURNAL ENTRIES.					
	S/N	Details	DEBIT	CREDIT		
	1.	Suspense A/c	100 000			
		sales		100 000		
	2.	Debit A/c	10 800			
		Suspense A/c		10 800		
	3.	Purchases A/c	58 500			
		Suspense		58 500		
	4.	Suspense A/c	44 000			
		Debtors A/c		44 000		
	5.	Discount Allowed A/c	2 000			
		Discount Received A/c	2 000			
		Suspense A/c		4 000		
	6.	Equipment A/c	120 000			
		Repairs		120 000		
	(ii) Suspense A/c					
	D1	Suspense A/c		Cr		
	Date	Details	Amount	Date	Details	Amount
		Sales	100 000		Purchases b/d	70 700
		Debtors	44 000		Debit	10 800
					Purchases	58 500
					Discounts	4 000
			144 000			144 000

Extract 2.2.3 illustrates one of the works of the candidate who provided the correct answers. This candidate managed to identify errors, correct them and prepare journal entries as well as suspense account.

Few candidates who performed poorly in part (b) failed to identify errors and record entries correctly in rectifying journal. Moreover, they were able to prepare suspense account but recorded wrong transactions. Extract 2.2.4 is a sample of candidates' incorrect answers.

**Extract 2.2.4**

26- M. MAJAKUNA Account			
DR	JOURNAL ENTRIES	CR	
Dr	Narrations	Dr	Cr
751 Sales account		100,000	
Suspense account			100,000
Being Sales Undiscount error			
2. Suspense account		10,800	
Debit account			10,800
Being received discount from debtor			
3. Suspense account		58,500	
Purchase account			58,500
Being Undiscounted error			
4. Drawing account		22,000	
Debit account			22,000
Being Cash received from debtor recorded in my personal account			
5. Discount allowed or draw down		400	
Suspense account			400
Being discount allowed paid to the discount received			
6. Repair account		120,000	
Equipment account			120,000
Being repair on equipment paid to repairs account			
26 AP	SUSPENSE Account		CR
Debit account	10,800	Sales account	100,000
Purchase account	58,500	Discount received from 4000	
Balance as per trial balance	70,700		
	<u>140,000</u>		<u>140,000</u>

Extract 2.2.4 shows a sample of one of the incorrect answers extracted from the script of a candidate who opened journal entries but failed to identify errors, correct them and prepare incorrect suspense account.

### **2.1.3 Question 3: Provision and Investment Account**

The question had two parts (a) and (b). In part (a) candidates were required to prepare provision for bad and doubtful debts account, provision for discount on debtors account and provision for discount on creditors account while in part (b) the candidates were required to prepare Investment Account.

The question was attempted by 71 percent of the candidates. The performance of the candidates shows that 40.7 percent scored from 10 to 20 marks, 42.1 percent scored from 5.5 to 9.5 marks, while the rest 17.2 percent scored from 0 to 5 marks out of 20 allotted. The performance of the candidates in this question was also good.

In part (a) some of the candidates who scored high marks had adequate on the topic of provision as they managed to meet the demand of the question. They were able to enter transactions in the provision for bad and doubtful debts account, provision for discount on debtors account and provision for discount on creditors account and adhered to the principles of double entry system. They were able to post those transactions to the appropriate sides of the accounts and managed also to balance entries in those accounts. Extract 2.3.1 illustrates a sample of the correct responses.

### Extract 2.3.1

Qn 3a)	Dr	Provision for Bad and Doubtful debts %	Cr
	31/12/2012 Debtors	20,000	1/1/2012 Balance b/d 25,000
	— " — Balance %d	23,000	31/12/2012 Profit & loss 18,000
		<u>43,000</u>	<u>43,000</u>
	31/12/2013 Debtors	10,000	01/01/2013 Balance b/d 23,000
	— " — Profit & loss	4,500	
	— " — Balance %d	8,500	
		<u>23,000</u>	<u>23,000</u>
			01/01/2014 Balance b/d 8,500

3a) b)	Dr	Provision for discount on debtors %	Cr
	31/12/2012 Debtors	1,000	1/1/2012 Balance b/d 12,000
	— " — Profit & loss	2,260	
	— " — Balance %d	8,740	
		<u>12,000</u>	<u>12,000</u>
	31/12/2013 Debtors	20,000	1/1/2013 Balance b/d 8,740
	— " — Balance %d	3,230	31/12/2013 Profit & loss 14,490
		<u>23,230</u>	<u>23,230</u>
			1/1/2014 Balance b/d 3,230

3a) c)	Dr	Provision for discount on creditors %	Cr
	1/1/2012 Balance b/d	10,000	31/12/2012 Creditors 20,000
			— " — Profit & loss 20,000
			— " — Balance %d 6,000
		<u>10,000</u>	<u>10,000</u>
	1/1/2013 Balance b/d	6,000	31/12/2013 Creditors 5,000
	31/12/2013 Profit & loss	6,500	— " — Balance %d 7,500
		<u>12,500</u>	<u>12,500</u>
	1/1/2014 Balance b/d	7,500	

Extract 2.3.1 shows a sample of one of the candidate who managed to enter transactions appropriately in the provision for bad and doubtful debts account, provision for discount on debtors account and provision for discount on creditors account.

However, most of the candidates who scored moderate marks managed to enter transactions in some of the accounts but they failed to record other transactions to the appropriate sides of the accounts and some left to record some entries in the accounts.

On the other hand, few candidates who performed poorly in part (a) showed many weaknesses in various aspects including failure to understand the demand of the question and enter transactions in the accounts. Moreover, they failed to adhere to the principles of double entry system on how to post the transactions to the appropriate side of those accounts. They also failed to obtain correct amount to be posted to income statement and correct balance in each account. Extract 2.3.2 illustrates a sample of incorrect responses.

### Extract 2.3.2

3(d) Dr Provision For DISCOUNT ON DEBTORS % G					
	Details	Amount	Details	Amount	
	Balance %	12000	Profit and Loss	<del>91800</del>	
			Balance %	2820	
		12000		12000	
	Balance %	2820	Profit and Loss	3800	
		500			
		2820		2820	
			Balance %	2820	

Extract 2.3.2 shows a sample of one of the scripts of the candidate who opened provision for discount on debtors account and recorded wrong entries in that account. He or she also failed to prepare provision for bad and doubtful debts account as well as provision for discount on creditors account as the demand of the question.

In part (b) some of the candidates who performed well were able to calculate properly all the components asked in the question. They used right formulae to calculate the value of investment bought and sold in cum div. Moreover, they were able to find out the value of right shares issued to the members and the dividend received by members. Furthermore, they managed to obtain either profit or loss in the process of selling shares and posted those entries correctly to the Investment account. Extract 2.3.3 shows the candidate who provided correct responses to the part of the question.

### Extract 2.3.3

3b)	DR	Mbowala LTD Ordinary share Investment %						CR
	Details	N	L	C	Details	N	L	C
	1/4/2012 Bank (Purch)	10,000	-	205,000	1/4/2012 Bank (Int)	-	15,000	-
	15/10/2012 Bank (Purch)	-	-	3000	31/12/2012 Bal f/d	12,000		238,000
	30/11/2012 Right issue (Bank)	2000	-	30,000				
	30/12/2012 Profit & loss	-	15,000	-				
		12,000	15,000	238,000		12,000	15,000	238,000
	1/1/2013 Balance f/d	12,000	-	238,000	31/12/2013 Bank (Int)	-	18,000	-
	31/12/2013 Profit & loss	-	18,000	9,500	1/1/2014 Bank (Purch)	4,500		9,8750
			-		31/12/2013 Div f/d	7,500	-	14,8750
		12,000	18,000	247,500		12,000	18,000	247,500
	1/1/2014 Balance f/d	7,500	-	14,8750				
<u>Working 1</u>								
	Sales proceeds					9,8750		
	less C.O.S			4,000 x 238,000		89,250		
				12,000				
						9,500		
<u>Working 2</u>								
	Sales proceeds					9,8750		
	less C.O.S			4,500 x 238,000		89,250		
				12,000				
	Profit on sale of investment					9,500		

Extract 2.3.3 shows a candidate who had adequate knowledge on Investment Account hence managed to calculate exactly all components required and transferred entries to the Investment Account.

However, most of the candidates who scored moderate marks managed to enter transactions in some of the accounts but they failed to post other transactions to the appropriate side of the accounts and others recorded transactions of direct entries such as opening and closing balances in the account.

On the other hand, the analysis of the candidates' responses indicated that few candidates who failed in this question had insufficient knowledge on the concept of *Investment Account*. Some



used inappropriate formulae to calculate the value of investment bought and sold and they posted entries wrongly in investment account. They also failed to calculate the amount of sales and purchases of ordinary shares concerned. Extract 2.3.4 presents a sample of one of the script of the candidate who lacked knowledge on investment Account.

Extract 2.3.4

3b) DR					CR				
Date	Details	Nominal value	Interest	Amount Paid	Date	Details	Nominal value	Interest	Cost
14/2012	Purchase	100,000	—	20500	19/2012	Dividend	—	1500	—
15/11/2012	Right issue	7500	—	14250	31/12/2012	Balance f/d	107500	—	219250
	income to profit and l/o	—	1500	—					
		107500	1500	219250			107500	1500	219250
14/12/2012	Balance f/d	107500	—	219250	29/12/2012	Dividend	—	1625	—
11/01/2013	Purchase sales	—	—	6990	1/1/2013	Sales	4500	—	9875
	income to profit and l/o	—	1625	—	31/12/2012	Balance f/d	62500	—	127470
		107500	16125	226220			107500	16125	226220
1/1/14	Balance f/d	62500	—	127470					

Extract 2.3.4 shows a work of the candidate who lacked knowledge on *Investment Account*. This candidate opened ordinary shares investment account and entered incorrect transactions in that accounts.

## 2.1.4 Question 4: Recognition of Revenue and Expenses and Depreciation of Non-Current Assets

The question had two parts (a) and (b). In part (a) candidates were required to prepare insurance, wages and rent receivable accounts and income statement while in part (b) they were required to show buses, accumulated for depreciation and buses disposal accounts.

The question was attempted by 90.4 percent of the candidates. The performance of the candidates was very good as 82.5 percent scored from 10 to 20 marks, 12.2 percent scored from 5.5 to 9.5 marks and only 5.3 percent scored from 0 to 5 marks.

Most of the candidates who scored high mark in part (a) demonstrated a good knowledge on the concept of *Recognition of Revenue and Expenses* as they were able to meet the requirement of the question. They managed to analyze the transactions correctly, prepared insurance, wages and rent receivable accounts and entered transactions correctly in each account. Moreover, they succeeded to show income statement (extract). Extract 2.4.1 is a sample of candidates' correct responses.

**Extract 2.4.1**

4(c)	Dr	INSURANCE A/c	Cr
	2012 Jan 1.	Balance b/d, 58200	2012
		Standing order, 101900	31 Dec Profit and Loss 123,600
			31 Dec Balance c/d 34500
		158100	158100
	2013 Jan 1.	Balance b/d 34500	
	Dr.	WAGES A/c.	Cr
	2012.	2012.	
	Jan 1.	CASH. 1500000	Jan 1. Balance b/d. 30600
			31 Dec Profit and Loss, 1511,300
	31 Dec.	Balance c/d. 41900	
		1541,900	1541,900
			2013. Jan 1. Balance b/d. 41900
	Dr.	RENT RECEIVABLE A/c	Cr
	2012	2012.	
	31 Dec Profit and Loss, 2691,600	Jan 1. Balance b/d. 3600	
		BANK 260000	
	31 Dec Balance c/d. 4500	31 Dec Balance c/d. 10500	
		274,100	274,100
	Jan 1, 2013. Balance b/d 10500	Jan 1, 2013. Balance b/d. 4500	

4(a)	(ii)	INCOME STATEMENT FOR THE YEAR ENDED	
		31 <sup>st</sup> DECEMBER 2012.	
		Rent receivable.	269,600
		LESS: EXPENSES:	
		Insurance	123,600
		Wages	1541,300
			<u>1634,900</u>
		Net loss.	<u>(1,365,300)</u>

Extract 2.4.1 shows a sample of one of the good answers extracted from the script a candidate. This candidate managed to prepare insurance, wages and rent receivable accounts and enter transactions correctly in each account and was able to prepare income statement (extract).

Some of the candidates who scored moderate marks in part (a) they were able to identify the demands of the question but failed to record all transactions in the accounts and were not able to show income statement (extract).

On the other hand, few candidates who performed poorly in part (a) lacked knowledge of the concept of *Recognition of Revenue and Expenses*. Some managed to open insurance, wages and rent receivable accounts but they entered incorrect transactions in the accounts. Others combined all three accounts (insurance, wages and rent receivable accounts) in one account and recorded all transactions in that account. Moreover, they were not able to show income statement (extract). Extract 2.4.2, 2.4.3, and 2.4.4 are samples of candidates' incorrect responses.

### Extract 2.4.2

04	21	Jolubion.	
	DEBIT	INSURANCE, WAGES AND RENT RECEIVABLE CREDIT	
	wages outstanding	30600	Prepaid 1/4. 56200
	Bank.	101900	
	Bank	1500,000	Rent receivable advance. 3600
	Profit & Loss	1340710	Bank 260,000
	Insurance prepaid	34500	Rent receivable 1/4 10500
	Rent received	4500	Wages accrued 4900

Extract 2.4.2 shows a candidate who had no idea of the question. This candidate opened one account which named as insurance, wages and rent receivable account and recorded all transactions in that account instead of opening three separate accounts.

Extract 2.4.3

4					
a)				GOODLUCK,	
i/				INSURANCE, WAGE AND RENT RECEIVABLE	
DR				ACCOUNTS FOR YEAR ENDED 31 <sup>st</sup> Dec 2012 (R	
	2012:			2012:	
1/1	Balance (advance) b/d	56,200	1/1	Balance (owing) b/d	30,600
	Bank (insurance)	101,900	1/1	Balance (advance) b/d	3600
	Cash (wages)	1,500,000		Bank (Rent)	260,000
				Profit and loss	1,365,300
				31/12 Balance (prepaid) b/d	34,500
31/12	Balance (advance) b/d	4500	31/12	Balance (owing) b/d	10500
31/12	Balance (owing) b/d	41900			
		1,704,500			1,704,500
	2013			2013	
1/1	Balance (prepaid) b/d	34,500	1/1	Balance (advance) b/d	4500
1/1	Balance (owing) b/d	10500	1/1	Balance (owing) b/d	41900

Extract 2.4.3 shows more illustration from the script of a candidate who had no idea of the question. This candidate also opened one account which was called as insurance, wages and rent receivable account and recorded all transactions in that account instead of opening three separate accounts.

#### Extract 2.4.4

49 Insurance Account			
Dr			Cr
DETAIL	AMOUNT	DETAIL	AMOUNT
		1/1/2012 balance b/d (brought forward)	56200
Profit and loss	123600	Cash/Bank	101900
		31/12/2012 balance c/d	34500
	158100		158100
		1/1/2013 balance b/d (brought forward)	34500
WAGES Account			
Dr			Cr
DETAIL	AMOUNT	DETAIL	AMOUNT
1/1/2012 balance b/d (brought forward)	30600	Cash	150000
Profit and loss	1,511,300		
		Balance c/d (Arrears)	41,900
	1541900		1541900
		1/1/2013 balance b/d (Arrears)	41900
RENT RECEIVABLE Account			
Dr			Cr
DETAIL	AMOUNT	DETAIL	AMOUNT
balance b/d (Arrears)	3600	balance c/d (Arrears)	4500
Cash	260,000	Profit and loss	269600
		balance c/d (Arrears)	10500
	274100		274100
		balance b/d (Arrears)	10500

Extract 2.4.4 shows a sample of one of the incorrect answers extracted from the script of a candidate. This candidate managed to prepare insurance, wages and rent receivable accounts but entered wrong transactions in each account.

In part (b) some of the candidates who performed well were able to show buses, accumulated for depreciation and buses disposal accounts. They also managed to enter all transactions in the accounts and obtained true amount of profit from sales of buses. Moreover, they were succeeded to calculate the value of depreciation in each year and recorded them in respective account. Extract 2.4.5 is a sample of correct responses extracted from the script of a candidate.

#### Extract 2.4.5

4B	IN THE BOOK OF MALINGUM BUS SERVICE LTD			
i	Dr	BUSES ACCOUNT		Cr
	Details	Amount	Details	Amount
	1st January 12 Balance b/d	9000,000	30th June Disposal	5000,000
	1st May 12 Cash	6000,000	1st Oct Disposal	8000,000
	1st July 12 Cash	8000,000	31 Dec 12 Balance f/d	17500,000
	1st Oct 12 Disposal	7500,000		
		30,500,000		30,500,000
	1st January 13 Balance b/d	17500,000		
ii	ACCUMULATED FOR DEPRECIATION			
	Dr	ACCOUNT		Cr
	Details	Amount	Details	Amount
	30th June 12 Disposal	3250,000	1 Jan 12 Balance b/d	5750,000
	1st Oct 12 Disposal	400,000	31 Dec 12 Profit and loss	2875000
	31 Dec 12 Balance f/d	4975000		
		8625000		8625000
			1 Jan 13 Balance b/d	4975000
iii	Dr	BUSES DISPOSAL ACCOUNT		Cr
	Details	Amount	Details	Amount
	30th June 12 Buses	5000,000	30th June Accumulated dep	3250,000
	1st Oct 12 Buses	8000,000	Insurance	2500,000
	31st Dec 12 Profit and loss	650,000	1st Oct 12 buses	7500,000
			Accumulated depn	400,000
		13650,000		13650,000

Extract 2.4.5 presents a sample of the correct response from the script of a candidate who performed well. This candidate had adequate knowledge on *Depreciation of Non-Current Assets* and managed to show buses, accumulated for depreciation and buses disposal accounts.

On the other hand, few candidates who performed poorly in this question showed many weaknesses in various aspects including lack of the required knowledge on the subject matter. Furthermore, they failed to show buses, accumulated for depreciation and buses disposal accounts. Moreover, they failed to calculate the value of depreciation in each year and to record them in respective account. A sample of such responses is shown in extract 2.4.6.

Extract 2.4.6

①					
Dr		Buses	A/c	Cr	
2008			2008		
March 31	Cash	4,000,000	Dec 31	Balance c/d	4,000,000
2009			2009		
Jan 1	Balance b/d	4,000,000			
April 1	Cash	5,000,000			
		9,000,000	Dec 31	Balance c/d	9,000,000
2010			2010		
Jan 1	Balance b/d	9,000,000	Dec 31	Balance c/d	9,000,000
2011			2011		
Jan 1	Balance b/d	9,000,000	Dec 31	Balance c/d	9,000,000
2012					
Jan 1	Balance b/d	9,000,000			
May 1	Cash	6,000,000			
July 1	Cash	5,000,000			
Oct 1	Cash	7,500,000			
		30,500,000			30,500,000
4 b(ii) DR ACCUMULATED DEPRECIATION AC CR					
DETAILS		Amount	DETAILS		Amount
Balance c/d (2008)		600,000	P or loss		600,000
		600,000			600,000
Balance c/d (2009)		215,000	Balance b/d (2009)		600,000
					155,000
		215,000	P/Loss		215,000
Balance c/d (2010)		395,000	Balance b/d (2010)		215,000
			P/Loss A/c		180,000
		395,000			395,000
Balance c/d (2011)		575,000	Balance b/d (2011)		395,000
			P/Loss A/c		180,000
		575,000			575,000

Extract 2.4.6 presents a sample of incorrect response from the script of a candidate this candidate prepared buses and accumulated for depreciation accounts but recorded wrong entries in those accounts and failed also to prepare buses disposal account.



### **2.1.5 Question 5: The Nature and Context of Accounting**

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

This question was omitted by the majority of the candidates. It was attempted only by 47.4 percent of the candidates. The performance shows that 93.7 percent scored from 10 to 20 marks, 4.9 percent scored from 6 to 9.5 marks and only 1.4 percent (7 candidates) scored from 0 to 4.5 marks. These data indicate that candidates' performance in this question was very good.

The majority of the candidates who performed well in this question were able to identify the accounts affected and they managed to indicate which account should be debited and which one is to be credited according to the transactions. Furthermore, they were able to adhere to the dual concept. This indicates that those candidates had enough knowledge on *The Nature and Context of Accounting*. Extract 2.5.1 provides a sample of the correct responses.

### Extract 2.5.1

5	A debtor s. kaizage paid us in cash.
②	<u>Affected account</u>
	@ Debtor account
	⑤ S. kaizage account.
	<u>Double Entry system</u>
	Cr. Debtors a/c
	Dr. S. kaizage a/c
②	<u>Revised rent paid in cash</u>
	@ Rent account      Affected accounts
	⑥ Cash account
	<u>Double entry system</u>
	@ Cr. Rent a/c
	Dr. Cash
iii/	Owner withdraws cash for personal use
	<u>Affected a/c</u>
	@ Drawing a/c
	⑥ Cash a/c
	<u>Double entry system</u>
	Dr. Drawings a/c
	Cr. Cash a/c
②	<u>Paid commission by cheque</u>
	<u>Affected account</u>
	@ Bank a/c
	⑥ Commission a/c

	<u>Double entry system</u>
	Dr. Commission a/c
	Cr. Bank a/c.
(v)	Bought furniture on credit from G. Opio.
	<u>Affected account</u>
	@ G. Opio a/c
	(b) Furniture a/c
	<u>Double entry system</u>
	Dr. Furniture a/c
	Cr. G. Opio a/c
(vi)	Sold goods receiving payment in cash
	<u>Affect account</u>
	@ Sales a/c
	(b) Cash a/c
	<u>Double entry system</u>
	Dr. Cash a/c.
	Cr. Sales account
(vii)	Bought Goods paying on Cash
	<u>Affected account</u>
	@ Purchases a/c
	(b) Sales a/c
	<u>Double entry system</u>
	Dr. Purchases a/c
	Cr. Cash a/c.
(viii)	Sold Goods to S. Kaizoge
	<u>Affected account</u>
	S. Kaizoge
	Sales

Extract 2.5.1 presents a sample of script of a candidate who produced the correct responses. This candidate had adequate knowledge of principles of double entry system. He or she was able to show which account is affected and to indicate the account to be debited or credited.

It was further observed that, few candidates who performed moderately in this question managed to record some of the entries but failed to meet the demand of the question in other parts. They either failed to identify the accounts affected or to show the action to be taken in recording the accounts in the double entry system.

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 also failed to identify the accounts affected and indicate which account should be debited and which one is to be credited according to the transactions. Furthermore, they were not able to adhere to the dual concept. This indicates that those candidates had no enough knowledge on *The Nature and Context of Accounting*. A sample of such responses is shown in extract 2.5.2.

#### Extract 2.5.2

S.	Description	DR	CR
i	S Kajiye paid us in cash	Increase	-
ii	Rent received paid in cash	Increase	-
iii	Owner with draw	-	decrease
iv	Paid Commission by cheque	-	decrease
v	Purchases	-	decrease
vi	Sales	Increase	-
vii	Purchases	-	decrease
viii	Sales	Increase	-
ix	Return out word	-	decrease
x	Return In word		decrease

Extract 2.5.2 presents a sample of one of the incorrect responses quoted from the script of a candidate who performed poorly. This candidate failed to indicate account to be debited and which one to be credited instead he or she showed increase or decrease in assets or liabilities using the transactions given contrary to the demand of the question.

### 2.1.6 Question 6: Preparation of Financial Statements

In this question, candidates were required to prepare Income Statement as well as Statement of Financial Position.

The question was attempted by 91.4 percent of the candidates. The candidates' performance was as follows; 96.6 percent scored from 10 to 20 marks, 2.5 percent scored from 6 to 9.5 marks and only 0.9 percent (9 candidates) scored from 1.5 to 4.5 marks out of 20 allotted. The performance in this question was very good.

Most of the candidates who performed well were able to prepare both *Income Statement* as well as *Statement of Financial Position* correctly. Moreover, they managed to calculate the amount of rates prepaid, insurance unexpired, depreciation on non-current assets and amount for provision for bad and doubtful debts. They also succeeded to calculate the value of cost of goods sold, hence to obtain exact figure for gross profit and net profit. Furthermore, they managed to record all non-current assets and liabilities in the respective sides. Extract 2.6.1 shows the candidate who provided the correct responses to the question.

# Extract 2.6.1

6. Machungwa Machinery Income Statements For			
The Year ended 30th September 2012.			
Sales		6,669,600	
less: Returns Inwards		<u>108,300</u>	
Net Sales:		6,561,300	
less: Cost of Sales:			
opening stock	190,200		
Add purchases	3,141,600		
less: Returns	<u>164,100</u>	2,977,500	
		<u>4,877,700</u>	
less: Closing stock	1,720,000		3,557,700
Gross profit			3,003,600
Add: Income received			
Discount received	127,800		
Provision for bad debts	<u>63,900</u>		<u>191,700</u>
			3,195,300
less: Operating expenses:			
wages and salaries	1,410,000		
Discount allowed	<u>74,400</u>		
lighting and power	141,600		
less: Drawing	<u>35,400</u>	106,200	
Rates	<u>74,400</u>		
less: prepaid	<u>19,200</u>	55,200	
Purchase of Stationery		46,800	
Sundry expenses		19,200	
Insurance	180,000		
less: Insurance expired	<u>3,000</u>	177,000	
motor vehicles expenses		115,800	
Bad debts		21,600	
Postage and Telephone		46,800	
Depreciation: Fixture and fitting		43,200	
motor vehicles		<u>460,000</u>	

6.	MACHUNGWA MACHACHU FINANCIAL POSITION		
	As at 30th Sept 2012.		
	<u>Current assets:</u>		
	Office Building	1 950 000	
	less: Depreciation	97 500	1 852 500
	Furniture and fitting	432 000	
	less: Depreciation	42 200	388 800
	Motor vehicles	480 000	
	less: Depreciation	96 000	384 000
			6081 300
	<u>At: Fixed Assets:</u>		
	Stock	1 320 000	
	Debtors	1 356 000	
	less: provision for		
	bad debts	135 600	1 220 400
	Bank	792 300	
	Cash	42 600	
	Rates prepaid	19 200	
	Insurance unexpired	2 000	3 397 500
			4 472 800
	<u>less: Current liabilities:</u>		
	Creditors		1 626 600
	Capital employed		7 852 200
	<u>Financed by</u>		
	Proprietor Capital	8 760 000	
	Add Net profit	27 600	
		8 787 600	
	less: Drawing:	935 400	
			7 852 200

Extract 2.6.1 shows a candidate who had adequate knowledge on *Preparation of Financial Statements*, hence managed to prepare both income statement as well as statement of financial position.

However, some candidates who scored moderate marks in this question managed to calculate some of the adjustments but they failed to record those adjustment entries in income statement and statement of financial position. They also failed to calculate the value of cost of goods sold, hence to obtain incorrect figure for gross profit and net profit.

On the other hand, the analysis of the candidates' responses indicated that few candidates who failed in this question had insufficient knowledge on the concept of *Preparation of Financial Statements*. Some opened income statement as well as statement of financial position but they posted wrong entries in those statements. Furthermore, they failed to make adjusting entries given and they were not able to obtain the correct figure for gross and net profit. They also failed to record non-current assets and liabilities in the respective sides. Others recorded items of nominal account in one side of statement of financial position. Extract 2.6.2 presents a sample of one of the script of a candidate who lacked knowledge on preparation of financial statements.

**Extract 2.6.2**

G1			Pate prepaid	19200.
			Insurance unexpired	3000
			Provision for bad debts	125600
			Bank	192300
			Discount received	127800
			Provision for bad	199,380
			Deficiency	458700
		7860000		7860,000

Extract 2.6.2 shows a work of the candidate who lacked knowledge on preparation of financial statements. This candidate opened one side of statement of financial position and recorded wrong entries.



## 2.1.7 Question 7: The Nature and Context of Accounting and Financial Statement Analysis and Interpretation

The question comprised of part (a) and (b). In part (a) the candidates were required to prepare debtors' and creditors' ledger as well as cash account while in part (b) they were required to calculate ratios given from the statement of financial position.

The question was attempted by 57.5 percent of the candidates. The performance of the candidates in this question shows that, 29 percent scored from 10 to 19 marks, 51.6 percent scored from 5.5 to 9.5 marks, 19.4 percent scored from 0 to 5 marks out of 20 allotted marks and there was no any candidate who scored all the 20 marks. These data indicate that candidates' performance in this question was good.

The majority of the candidates who scored high marks in part (a) managed to open and enter transactions properly in debtors' and creditors' ledger as well as cash account. They were also able to balance those accounts and obtained credit sales in the debtors' ledger, credit purchases in the creditors' ledger and cash balance in the cash account. Extract 2.7.1 shows the candidate who provided the correct response to the question.

### Extract 2.7.1

04	(a) S. Kapangala's Debtors:					
	Dr (Machamba Yazimkwa) Debtors A/c			Cr		
	Date	Details	Amount	Date	Details	Amount
	1.1.2014	Balance b/d	1500 000	31.1.14	Bal c/d	2900 000
	12.1.2014	Credit sales	1400 000			
			2900 000			2900 000
	Dr (Riziki Mapengo) Debtor A/c			Cr		
	Date	Details	Amount	Date	Details	Amount
	1.1.2014	Balance b/d	960 000	7.1.14	Bank	940 000
				7.1.14	D/C Allowed	20 000
			960 000			960 000

Extract 2.7.1 shows a sample of the responses from the script of a candidate who managed to open debtors' and creditors' ledger as well as cash account and recorded correct entries in those accounts.

On the other hand, some of the candidates who scored moderate marks they were able to open and enter transactions partially in debtors' and creditors' ledger as well as cash account. Furthermore, they were not able to get correct balance in each account because some transactions were omitted and others recorded in the wrong side of the account.

Few candidates who scored low marks in part (a) they were able to open debtors' and creditors' ledger but they recorded wrong entries in those accounts. Moreover, they failed to open cash account and others were not able to balance those accounts. Extract 2.7.2 shows the candidate who provided incorrect responses to the question.

**Extract 2.7.2**

DR			DEBTOR'S ACCOUNT			CR
Date	Details	Amount	Date	Details	Amount	
1/1/2014	Balance b/d	2,460,000	7/1	Receipt (Riziki)	940,000	
12/1	Sales (Mashamba)	1,400,000	23/1	Receipt	5,000,000	
23/1	Sales	5,000,000	31/12/2014	Balance b/d	2,920,000	
		4360,000			4360,000	
1/1/2015	Balance b/d	2,920,000				
DR			CREDITOR'S ACCOUNT			CR
Date	Details	Amount	Date	Details	Amount	
15/1	Bank	600,000	1/1/2014	Balance b/d	2,150,000	
16/1	Return	30,000	2/1	purchases	250,000	
27/1	patel Brothers	130,000	20/1	office equipment	145,000	
31/12/2014	Balance b/d	1785000				
		254500			2545000	
			1/1/2015	Balance b/d	1785000	

Extract 2.7.2 shows a sample of the responses from the script of a candidate who managed to open debtors' and creditors' ledger but recorded wrong entries and other transactions were omitted.

Some of the candidates who performed well in part (b) were able to calculate accurately all the components asked in the question. They used right formulae to calculate gross profit as percentage of sales, net profit as percentage of sales, gross profit as percentage of purchases, expenses as percentage of sales, Stock turnover ratio, rate of return of net profit on capital employed, current ratio, acid test ratio, debtor's sales ratio and creditor's purchases ratio. Extract 2.7.3 shows the candidate who produced the correct responses to the question.

**Extract 2.7.3**

76	J	K
a	$\frac{\text{G. Profit} \times 100\%}{\text{Sales}}$	$\frac{\text{G. Profit} \times 100\%}{\text{Sales}}$
	$\frac{20000 \times 100\%}{8000} = 25\%$	$\frac{24000 \times 100\%}{12000} = 20\%$
b	$\frac{\text{Net profit} \times 100\%}{\text{Sales}}$	$\frac{\text{Net profit} \times 100\%}{\text{Sales}}$
	$\frac{10000 \times 100\%}{80000} = 12.5\%$	$\frac{15000 \times 100\%}{120000} = 12.5\%$
c	$\frac{\text{Gross profit} \times 100\%}{\text{Purchases}}$	$\frac{\text{Gross profit} \times 100\%}{\text{Purchases}}$
	$\frac{20000 \times 100\%}{50000} = 40\%$	$\frac{24000 \times 100\%}{91000} = 26.4\%$
d	$\frac{\text{Expenses} \times 100\%}{\text{Sales}}$	$\frac{\text{Expense} \times 100\%}{\text{Sales}}$
	$\frac{10000 \times 100\%}{80000} = 12.5\%$	$\frac{9000 \times 100\%}{120000} = 7.5\%$

J ⑦ Stock turnover = $\frac{\text{Cost of sales}}{\text{Average stock}}$	K $\frac{\text{Cost of sales}}{\text{Average stock}}$
$A.S = \frac{\text{opening stock} + \text{closing}}{2}$	
$A.S = \frac{25000 + 15000}{2} = 20000$	$\frac{22500 + 17500}{2} = 20000$
$RJT = \frac{60000}{20000} = 3 \text{ times}$	$RJT = \frac{96000}{20000} = 4.8 \text{ times}$
vi) Rate of return on capital employed = $\frac{\text{net profit after tax} \times 100\%}{(\text{Capital employed} + \text{capital})/2}$ $= \frac{10000}{(42000 + 38000)/2} \times 100\% = 10000 / 40000 = 25\%$	$\frac{\text{net profit after tax} \times 100\%}{(\text{Capital employed} + \text{capital})/2}$ $= \frac{15000}{(44000 + 36000)/2} \times 100\% = 15000 / 40000 = 37.5\%$
ROCE = 25% Capital employed = fixed asset + working capital = 42000	ROCE = 37.5% Capital employed = 44000
vii) C. ratio = $\frac{C. Asset}{C. Liabilities}$ $= \frac{45000}{5000} = 9$ C. ratio = 9:1	$\frac{C. Asset}{C. Liabilities} = \frac{40000}{10000}$ C. Ratio = 4:1

<u>7b)</u>	<u>J</u>	<u>K</u>
viii)	Acid test ratio	
	$= \frac{C. Asset - stock}{C. Liabilities}$	$\frac{C. Asset - stock}{C. Liabilities}$
	$= \frac{45000 - 15000}{5000} = 6$	$= \frac{40000 - 17500}{10000} = 2.25$
	<u>6;</u>	<u>2.25 : 1</u>
ix)	debtor x 365 days	debtor x 365 days
	Sales	sales
	$= \frac{25000 \times 365 \text{ day}}{80000}$	$= \frac{20000 \times 365 \text{ day}}{120000}$
	$= 114.06 \approx 114$	$= 60.8 \approx 61$
	<u>= 114 days</u>	<u>= 61 days</u>
x)	Creditor x 365	Creditor x 365 days
	Purchase	Purchase
	$= \frac{5000 \times 365 \text{ days}}{5000}$	$= \frac{10000 \times 365 \text{ days}}{96000}$
	$36.5 \approx 37$	$= 38.02 \approx 38$
	<u>37 days</u>	<u>38 days</u>

Extract 2.7.3 shows a sample of the correct responses from the script of a candidate who had adequate knowledge on ratio analysis hence managed to calculate correctly all parts of the question.

However, some of the candidates who performed moderately in part (b) managed to calculate correctly some of the components asked in the question. They used correct formulae to calculate some of the ratios but they failed to calculate others.

The analysis of the candidates' responses indicated that few 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 irrelevant answer in all parts of the question and other parts were omitted. Extract 2.7.4 illustrates a sample of incorrect responses.

#### Extract 2.7.4

7(b) (ix)	K data given: Debtors = 20,000
	Sales = 120,000
	= 20,000
	120,000
	= 1:6
	∴ Debtors' sales ratio for K retail store = 1:6
7(b) (x)	creditor purchases ratio.
	= Creditors
	Purchases
	J data given: creditor = 5000
	Purchases = 50000
	= 5000
	50000
	= 1:10
	∴ creditor purchases ratio for J retail store = 1:10.
	K data given: creditor = 10000
	purchases = 91000
	= 10,000
	91000
	= 10:91
	∴ creditor purchases ratio for K retail store = 10:91

Extract 2.7.4 shows a sample of the incorrect responses from the script of a candidate. This candidate provided irrelevant answer in all part of the question and other parts were omitted.

## **PAPER 2**

### **2.2.1 Question 1: Auditing Terms**

This question consisted of five (5) items drawn from the topic of *Auditing* which were continuous audit, final audit, interim audit, procedural audit and management audit. 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 omitted by the majority and it was attempted only by 39.6 percent of the candidates. Analysis of the candidates' performance in this question shows that, 29.8 percent scored from 10 to 16 marks, 50.3 percent scored from 5.5 to 9.5 marks while 19.9 percent scored from 0 to 5 marks and there was no any candidate who scored 20 marks out of 20 allotted. Generally, the candidates' performance in this question was good.

Few candidates who performed well in this question showed enough knowledge on the topic of *Auditing* as they managed to explain some terms 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. Though some of the terms were not clearly elaborated by most of the candidates that is why there was no any candidate who scored all 20 marks in this question but performance was good. A sample of correct responses from the script of one of the candidate is shown in extract 2.2.1.



### Extract 2.2.1

#### 1 a) Continuous Audit

This is an audit or type of audit which is done throughout the financial year. It is done always as the management or organization activities are carried out. It is different from those which has a fixed period of time to be carried out or done. Example, when the auditor checks daily transactions and records each day. This helps in detecting and developing organizational works simultaneously as the works or activities are done while being corrected.

#### b) Final Audit

Is an audit term which means that an auditing activity is done at the end of the financial year. As the way it is called final audit, financial statements are checked and opinions are given out by auditors at the end of the financial year. This helps in knowing the fair and true view of the organization, also enables managers to know the general mistakes and the common ones.

#### c) Interim audit

This is an audit ~~carry~~ carried out at the middle of the financial year. It is done example at the sixth month of a financial year. This audit is done to know, detect and prevent errors and frauds before the year ends. It help in regulating or adjusting the view of the financial activities records and information. At the end of the year the view must be fair since the statements were audited before.

Contel 1	the year ending.
	d/ Procedural Audit
	It is another type and term of audit which means that auditing activity is carried out to check the procedures used in preparing financial statements. It is taken or carried out to check whether procedures of accounting recording are followed. Example, clear and proper posting, journalizing adjustments and preparation of the balance sheet. As the way it is termed "procedural audit" the same it is carried out
	.
	e/ Management Audit
	This is an audit carried out for the management purposes, and by the management or under the management supervision. As long as the auditor has to be independent, the management being aware to know the view of the financial statements and position they employ an auditor. Under this audit type an auditor can be just an employee of the company like accountant or an external auditor. The opinion is submitted to managers and not owners such as shareholders.

Extract 2.2.1 presents a sample of the correct responses from the script of a candidate. 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 other concepts of *Auditing* were not clear to them.

Others who performed poorly (19.9%), 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 Continuous Audit as *the type of auditing in the process of auditing in the economic activities. These audit continuing even if after five years or after two years.* This indicates that the candidates had insufficient knowledge on the concept of *Auditing*. Extract 2.2.2 illustrates a sample of incorrect responses.

#### Extract 2.2.2

1	a) Continuous Audit: is the type of auditing which is continuing in the process of auditing in the economic activities. These audit continuing even if after one years or after two years.
	b) Final Audit: is the type of auditing which performed final after the all process of auditing in the economic activities.
	c) Item audit is the type of auditing which is obtained in the organization and performed different function such a producing the business.
	d) Procedural Audit: is the type of Auditing which follow the procedure of the organization and teach others who don't follow the procedure of the organization.
	e) Management Audit: is the type of Auditing which concerned with the management of all department of the organization in order make the equality of the organization process.

Extract 2.2.2 shows a sample of the incorrect responses from the script of a candidate. This candidate provided irrelevant answer to all parts of the question.

### **2.2.2 Question 2: Partnership Accounting (Dissolution)**

In this question the candidates were required to prepare books of accounts for the dissolution of the partnership.

The question was attempted by 95.4 percent of the candidates. The candidates performance shows that 90.8 percent scored from 10 to 20 marks, 7.6 percent scored from 5.5 to 9.5 marks and only 1.6 percent scored from 1 to 5 marks out of 20 allotted. The candidates' performance in this question was very good.

Most of the candidates who attempted this question provided the correct responses as they managed to prepare realization account, partners' capital account and cash account. Furthermore, they were able to post all transactions in those accounts and that made them to score high marks. Moreover, they succeeded to get loss on realization. Extract 2.3.1 illustrates a sample of the correct responses.

### Extract 2.3.1

2a)	DR	REALIZATION ACCOUNT		CR
(i)	Goodwill a/c	300,000	Partners' capital a/c (mpoki)	160,000
	Premises a/c	360,000	Cash (Premises)	160,000
	Plant a/c	280,000	Cash (plant)	120,000
	Investment a/c	226,000	Cash (stock)	62,000
	Motor car a/c	94,000	Partners' capital a/c(kingwendu)	20,000
	Stock a/c	342,000	Cash (motor car)	26,000
	Debtors a/c	198,000	Discount received	24,000
	Dissolution expenses	12,000	Capital a/c: kingwendu	423,333.3
	Interest	30,000	Joti	423,333.3
			mpoki	423,333.3
		1,842,000		1,842,000

2a)(ii)	DR	PARTNERS' CAPITAL ACCOUNT				CR		
	DETAIL	KINGWENDU	JOTI	MPOKI	DETAIL	KINGWENDU	JOTI	MPOKI
	Realization loss	423,333	423,333	423,333	Balance b/d	400,000	600,000	200,000
	Realization a/c			160,000	Cash		12,000	
	Realization a/c	20,000			Cash	43,333		383,333
	Cash		188,667					
		443,333	612,000	583,333		443,333	612,000	583,333

2a(iii)	CASH ACCOUNT	
	Partners' Capital a/c: Joti	12,000
	Realization a/c	160,000
	Realization a/c	120,000
	Realization a/c	62,000
	Realization a/c	26,000
	Partners Capital a/c: Kingwendu	43,333
	MPoki	383,333
		806,666
	NOTE:	
	The 1/- variations are due to decimals and approximations	

Extract 2.3.1 illustrates a sample of the correct responses whereby candidates recorded transactions in realization and partners' capital accounts as well as cash account.

Some of 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. Moreover, they were not able to post all transactions required in the accounts and that led them to score few marks and failed to get loss on realization because they used wrong entries.

On the other hand, few candidates (1.6%) who failed in this question they were not able to prepare realization account, partners' capital account and cash account. They also failed to post all required transactions in those accounts and that made them to lose many marks. Their responses showed that candidates either had no ideas with the requirement of the question or they were not well prepared for the examination. Extract 2.3.1 illustrates a sample of incorrect responses.

### Extract 2.3.1

Dr		Cr	
Details	Amount	Details	Amount
Creditors	240,000	Total Assets	540,000
	600,000	non-current assets	1,260,000
less goodwill	300,000	current Assets	540,000
	300,000		1,800,000

ii) Partners Capital Accounts				Cr
Details	Total	mpo Ki	Details	
Kikwenda	400,000	600,000	200,000	Balance b/d
—	120,000	—	—	add Disolution
—	—	160,000	investment	
6,000	—	—	Profit made	
406,000	720,000	360,000		

iii) Cash account					
Date	Details	Amount	Date	Details	Amount
	Capital	1,800,000		Assets	1,800,000
	less liabilities	600,000			
		1,800,000			

Extract 2.3.1 illustrates a sample of incorrect responses whereby candidates recorded wrong transactions in realization and partners' capital accounts as well as cash account.

### 2.2.3 Question 3: Company Accounts

The candidates were required to prepare accounts in the books of Lauka & Sons Company as well as Statement of Financial Position.

The question was attempted by 67.7 percent of the candidates. The performance of the candidates shows that, 68.5 percent scored from 10 to 20 marks, 19.4 percent scored from 5.5 to 9.5 marks and 12.1 percent scored 0 to 5 marks out of 20 allotted marks. The performance of the candidates in this question was good.

Most of the candidates (68.5%) who performed well in this question 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 accurately the values for application and allotment monies, first and final call, the amount of calls in arrears, re-issued share account, the value of share premium, the value of forfeited shares as well as statement of financial position. They also managed to transfer the transactions to the cash account. Extract 2.3.1 shows the candidate who produced correct response to the question.

IN THE BOOKS OF LAUKASONS COMPANY

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3 DR ALLIEMENT ACCOUNT CR				
DETAILS	Amount	DETAILS	Amount	
Ordinary share capital	125,000	Application	106,250	
		Bank	18,750	
	125,000		125,000	
DR FIRST AND FINAL CALL A/C CR				
DETAILS	Amount	DETAILS	Amount	
Ordinary share capital	250,000	Call in amount	2,500	
		Bank	247,500	
	250,000		250,000	
DR FORFEITURE ACCOUNT CR				
DETAILS	Amount	DETAILS	Amount	
Call in amount	2,500	Ordinary share capital	5,000	
Re-issue	500			
Share premium	2,000			
	5,000		5,000	
DR RE-ISSUE A/C CR				
DETAILS	Amount	DETAILS	Amount	
Ordinary share capital	5,000	Bank	4,500	
		Discount (Forfeiture)	500	
	5,000		5,000	

3	DR	CALLS IN ADVANCE ACCOUNT				CR
		DETAILS	Amount	DETAILS	Amount	
		First and Final call	2,500	Forfeiture	2,500	
	DR	SHARE PREMIUM ACCOUNT				CR
		DETAILS	Amount	DETAILS	Amount	
		Balance b/d	302,000	Application	300,000	
				Forfeiture	2,000	
			302,000		302,000	
				Balance b/d	302,000	
3	LAUKA & SONS COMPANY LTD					
	STATEMENT OF FINANCIAL POSITION AS AT 30.9.2013					
	<u>ASSETS</u>					
	BANK		802,000			
	<u>ISSUED SHARE CAPITAL</u>					
	Ordinary share capital			1,000,000		
	Share premium			302,000		
				<u>1,302,000</u>		

Extract 2.3.1 presents a sample of one of the correct responses from the script of a candidate who managed to apply knowledge on *Company Account* and succeeded to enter transactions correctly in all required accounts.

It was further noted that, some 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 and they entered only few transactions.

However, few candidates (12.1%) who performed poorly in this question were not able to open all required accounts in the books of Lauka and Sons 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 the entries to the cash account. It was also noted that, some of those candidates had no clear understanding of the concept of *Company Account*. Extract 2.3.2 shows the candidate who provided incorrect response to the question.

### Extract 2.3.2

3	DR	ORDINARY SHARE A/C	CR
		Allotment 156250	Applicable Allotm 82500
	DR	BANK ACCOUNT	CR
		Application and allotment	68750
	DR	APPLICATION AND ALLOTMENT A/C	CR
		Ordinary 82500	
		Bank 68750	
	DR	ALLOTMENT ACCOUNT	CR
		Ordinary 156250	

3'	DR	FINAL CALL ACCOUNT	CR
		Call in arrears 2500	Forfeit
		Re-issue	
	DR	CALL IN ARREARS A/c	CR
			Final call 2500
	DR	FORFEIT A/c	CR

Extract 2.3.2 shows a sample of one of the incorrect responses from the script of a candidate. This candidate lacked mathematical skill to calculate values for application and allotment monies, first and final call as well as the value of forfeited shares. He or she also failed to transfer those transactions to the cash account.

#### 2.2.4 Question 4: Accounting for Royalties

This question the candidates were required to show Royalty, landlord and short working accounts in the books of Masasi Construction Company Ltd.

The question was attempted by 94.8 percent of the candidates. The performance of the candidates shows that 94.5 percent scored from 10 to 20 marks, 3.6 percent scored from 5.5 to 9.5 marks and only few candidates (19) 1.9 percent scored from 0.5 to 5 marks. These data indicate that candidates' performance in this question was good.

Most of the candidates who performed well in this question (who scored from 10 to 20 marks) were able to calculate appropriately all the components required. They managed to calculate the value produced per tons, cash to be paid to the Landlord and amount of royalties' payable in each year. A sample of such responses is shown in extract 2.4.1

#### Extract 2.4.1

I. WERKINUS						
Year	OUTPUT	ROYALTY	M. RENT	S. WORKING	SURPLUS	AMOUNT
2005	4800	3840,000	1200,000	-	2640,000	3840,000
2006	5800	4640,000	1200,000	-	3440,000	4640,000
2007	6,900	5520,000	1200,000	-	4320,000	5520,000
2008	5720	4576,000	1200,000	-	3376,000	4576,000
2009	6600	5280,000	1200,000	-	4080,000	5280,000
2010	6200	4960,000	1200,000	-	3760,000	4960,000
IN THE BOOKS OF MASASI						
(U)	DR.	LANDLORD ACCOUNT			CR.	
	2005. Bank	3840,000	05	Royalty payable	3840,000	
	2006 Bank	4640,000	06	Royalty payable	4640,000	
	2007 Bank	5520,000	07	Royalty payable	5520,000	
	2008 Bank	4576,000	08	Royalty payable	4576,000	
	2009 Bank	5280,000	09	Royalty payable	5280,000	
	2010 Bank	4960,000	10	Royalty payable	4960,000	
II.	DR.	ROYALTY PAYABLE A/c			CR.	
	2005 Landlord	3840,000	2005.	Manufacturing	3840,000	
	2006 Landlord	4640,000	2006	Manufacturing	4640,000	
	2007 Landlord	5520,000	2007	Manufacturing	5520,000	
	2008 Landlord	4576,000	2008	Manufacturing	4576,000	
	2009 Landlord	5280,000	2009	Manufacturing	5280,000	
	2010 Landlord	4960,000	2010	Manufacturing	4960,000	

Extract 2.4.1 shows a sample of one of the correct responses from the script of a candidate who managed to open Royalty Payable as well as Landlord accounts and post all transactions in their respective accounts.

Some of the candidates who scored moderately from 6 to 9 marks managed to calculate the value produced per tons, but they failed to transfer those transactions to the Royalty Payable and Landlord accounts. Those candidates lacked knowledge on the concept of *Accounting for Royalties*.

On the other hand, few candidates who performed poorly in this question were not able to calculate correctly all the components required. They failed to calculate the value produced per tons, cash to be paid and amount of royalties' payable in each year. Extract 2.4.2 illustrates a sample of incorrect responses extracted from the script of a candidate.

**Extract 2.4.2**

4.	Dr	Cash accounts		Cr
	Details	Amount	Details	Amount
	Free balance		Royalties	800
	2005	4,800	Rent	1,200,000
	2006	5,800	Total	<u>2,000,000</u>
	2007	6,900		
	2008	5,720		
	2009	6,600		
	2010	6,200		
	Total	<u>36,020</u>		
	Balance %	1,968,980		
		<u>2,000,000</u>		<u>2,000,000</u>

Dr	Royalties Accounts		Cr
Cash	800	Balance %	800
	800		800

Dr	Rent Accounts		Cr
Cash	1,200,000	Balance %	1,200,000
	1,200,000		1,200,000

Extract 2.4.2 shows a sample of one of the incorrect responses from the script of a candidate who was able to open *Royalty Payable* and *Landlord* accounts but recorded wrong entries in those accounts.

### 2.2.5 Question 5: Hire Purchase Accounting

In this question the candidates were required to prepare Motor Van, Toyota Motors Company Ltd, Hire Purchase Sales, Kusoma Kuelewa and Motor Van Repossessed accounts.

The question was extensively omitted by the majority as only 7 percent of the candidates attempted it. Their performance was poor as 60.3 percent scored from 0 to 5 marks, 34.2 percent scored from 5.5 to 9 marks while the rest 5.5 percent scored from 10.5 to 15.5 marks out of the 20 allotted and there was no any candidate who scored full.

Most of the candidates who performed poorly in this question showed many weaknesses in various aspects; including failure to give proper entries in the Motor Van, Toyota Motors Company Ltd, Hire Purchase Sales accounts and calculate the amount of hire purchase interest in Kusoma Kuelewa account. This indicates that there was a problem in understanding the concept of *Hire Purchase Accounting*. Extract 2.5.1 illustrates the candidate's incorrect answers.

Extract 2.5.1

5(i) Motor Van Account					
DR			CR		
21/12/10	Balance $\frac{1}{2}$	124,000	31 Dec	Kusuma kulawa	264,000
				less depreciation	140,000
		124,000			124,000
31/12/11	Balance $\frac{1}{2}$	248,000	Balance b/d		124,000
				kusuma kulawa	264,000
				less depreciation	140,000
		248,000			248,000
(iii) Toyota Motors Company Ltd's Account					
DR			CR		
Date	Particulars	Amount	Date	Particulars	Amount
31 Dec/10	Kusuma kulawa	264,000	12/10/10	Depreciation	140,000
	<del>Dr</del>			Balance $\frac{1}{2}$	124,000
		264,000			264,000
1/12/11	Balance b/d	124,000	12/12/11	Depreciation	12,800
	Kusuma kulawa	264,000		Balance $\frac{1}{2}$	275,200
		288,000			288,000
1/12/12	Balance b/d	275,200	1/12/12	Depreciation	902,400
(10) PR Kusuma Kulawa A/c CR					
HP sales			Downpayment		
4320,000			480,000		
Interest			1st installment		
384,000			1664,000		
			Balance $\frac{1}{d}$		
			2560,000		
4704,000			4704,000		
Balance b/d			2nd installment		
2560,000			1536,000		
Interest			Balance $\frac{1}{d}$		
256,000			1280,000		
2816,000			2816,000		
Balance b/d			Balance $\frac{1}{d}$		
1280,000			1408,000		
Interest					
128,000					
1408,000			1408,000		
Balance b/d			Repossession van		
1408,000			640,000		
			Balance $\frac{1}{d}$		
			868,000		
1408,000			1408,000		



DR HIRE PURCHASE SALES ACCOUNT CR			
Cash			
DR KUSOMA KUELEWA ACCOUNT CR			
Cash			
DR MOTOR VAN REPOSSESSED ACCOUNT CR			

Extract 2.5.1 shows a sample of one of the incorrect responses from the script of a candidate who did not understand the demand of the question. This candidate failed to calculate the amount of Hire Purchase interest as well as enter transactions in the respective accounts.

On the other hand, few candidates (5.5%) who performed well in this question demonstrated a clear understanding about Hire Purchase Concept, as they were able to open Motor Van, Toyota Motors Company Ltd, Hire Purchase Sales, Kusoma Kuelewa and Motor Van Repossessed accounts. Not only had they managed to calculate the amount of hire purchase interest in Kusoma Kuelewa account but also were able to record the transactions in the respective accounts. Extract 2.5.2 illustrates a sample of the correct responses.

# Extract 2.5.2

05	TOYOTA MOTORS COMPANY ACCOUNT CR				
	DR	Detail	Amount	Detail	Amount
		1/1/2010 Bank	48000	1/1/2010 Cash	24000
		instalment	70000	HP interest	6000
		31/12/2010 Balance f/d	128000		
			246400		246400
		31/12/2011 instalment	70000	1/1/2011 Balance f/d	128000
		31/12/2011 Balance f/d	6000	31/12/2011 HP interest	6000
			130000		130000
				1/1/2012 Balance f/d	6000
05	DR	HIRE PURCHASE SALE CR			
		31/12/2010 Trading	240000	1/1/2010 HP debt	240000
	DR	KUSUMA KUTEEWA ACCOUNT CR			
		1/1/2010 HP debt	24000	1/1/2010 Bank	48000
		31/1/2010 HP interest	6000	31/12/2011 instalment	70000
				31/12/2010 Balance f/d	128000
			246400		246400
		1/1/2011 Balance f/d	128000	31/12/2011 instalment	70000
		31/11/2011 HP interest	6000	31/12/2011 Balance f/d	6000
			130000		130000

Extract 2.5.2 illustrates a sample of one of the correct responses from the script of a candidate who managed to open all required accounts and record all transactions correctly in the respective accounts.

### 2.2.6 Question 6: Container Accounts

The candidates were required to prepare containers stock and suspense accounts as well as statement of profits or losses on containers.

The question was attempted by 95.5 percent of the candidates. The performance of the candidates was as follows; 81.1 percent scored from 10 to 20 marks, 14.8 percent scored from 5.5 to 9.5 marks and 4.1 percent scored from 0.5 to 5 marks. General performance of the candidates in this question was good.

The majority of the candidates, who performed well in this question, were able to calculate accurately most of the components required. The candidates managed to prepare cases stock account, cases suspense account as well as statement of profits or losses on containers. Furthermore, they were able to calculate the value of retained containers and the value of profit earned on containers sent. However, the variation of their scores was determined by the correctness of the transactions they made. A sample of good responses is shown in extract 2.6.1

# Extract 2.6.1

6	P.R = 10				
	C.O.R = 20				
	R.R = 15				
	V.R = 8				
Dr Containers stock account Cr					
Details	Quantity	Rate Amount	Details	Quantity	Rate Amount
Jan 13 Balance b/d:			C. Disposed	2000	- 17000
warehouse	8000	8 64000	Container lost	1000	- -
customer	10000	8 80000	Hiring charge	-	- 250000
C. Repair	5	- 10000	C. Retained	5000	15 75000
Container purchased	10000	10 100000			
Profit on containers	-	- 248000	Bal b/d:		
			customer	20000	8 160000
	28000	502000		28000	502000
Bal b/d: customer	20000	8 160000			
Hiring charge = (C.O.R - R.R) C. sent					
= (20 - 15) 50000					
Dr Container suspense account Cr					
Details	Quantity	Rate Amount	Details	Quantity	Rate Amount
C. Returned	35000	15 525000	Bal b/d: customer	10000	15 150000
Hiring charge	-	- 250000	Container sent	50000	20 1000000
C. Retained	5000	15 75000			
Bal b/d: customer	20000	15 300000			
	60000	1150000		60000	1150000
			Bal b/d	20000	15 300000

6	Statement of profit and losses on container for the year ended 31 <sup>st</sup> Dec 2013	
	Hiring charge	250,000
	Add: Profit on container retained $(RR - VR) \times C_{\text{Retained}}$	
	(15 - 8) 5000	35000
	Profit on C. Sold $(SP - VR) \times C_{\text{Sold}}$	
	(8.50 - 8) 2000	<u>1000</u>
	Less: Depreciation $(P.R - VR) \times C.P$	
	(10 - 8) 10000	20000
	Loss on C. Lost $(1000 \times 8)$	8000
	Expense: Repair	10000
	Profit on container	<u>242000</u>

Extract 2.6.1 shows a sample of one of the correct responses from the script of a candidate who managed to prepare cases stock account, cases suspense account as well as statement of profits or losses on containers.

Some of the candidates who scored moderate marks were able to prepare cases stock account and cases suspense account and managed to enter transactions which do not need any calculations such as opening and closing balances in the container and suspense accounts, purchases and value of the containers sent to customers but they failed to prepare statement of profits or losses on containers.

On the other hand, few candidates (4.1%) who scored from 0 to 5 marks were not able to calculate properly all the components required. These candidates opened cases stock account, cases suspense account as well as statement of profits or losses on containers but they entered wrong transactions. Moreover, they were not able to calculate the value of retained containers and ascertain the value of profit earned on containers sent account. A sample of such responses is shown in extract 2.6.2.

#### Extract 2.6.2

G.L.	DR. CONTAINER STOCK A/c				CR.			
	DETAILS	QTY	RATE	AMOUNT	DETAILS	QTY	RATE	AMOUNT
	11000 Warehouse			8000	Returned			35000
	Customer			1000	Lost			1000
	Repair			15000				
	Purchased			17000	Hiring charge			3000
	Profit & Loss			23,000				
					31 <sup>st</sup> Dec Container			20,000
				59000				59,000
11	DR. CONTAINER SUSPENSE A/c				CR.			
	DETAILS			AMOUNT	DETAILS			AMOUNT
	Returned			35000	Container in warehouse			8000
	Hiring charge			3000	Container sent			50,000
	Container kept			20,000				
				58000				58000
6	<u>Statement of profit or loss on containers</u>							
	Hiring charges (2500x5)							12,500
	Profit on sale							118
	Less:							
	Cases damaged and repaired							5000
	Containers lost							1000
	Value of returned cases							5000
	Cases lost (12,000 - 8000)							4000

Extract 2.6.2 shows a sample of one of the incorrect responses from the script of a candidate who was able to prepare cases stock account, cases suspense account as well as statement of profits or losses on containers but entered wrong transactions.

### 2.2.7 Question 7: Payroll Accounting

In this question the candidates were required to prepare the salary slips of the employees for the month of August, 2013.

The question was attempted by 95.5 percent of the candidates. The performance of the candidates in this question was as follows: 8.1 percent scored from 10 to 20 marks, 81.5 percent scored from 5.5 to 9.5 marks and the rest 10.4 percent scored from 0 to 5 marks showing that the candidates' performance in this question was good.

Few candidates who performed well in this question adhered to the demands of the question. They demonstrated enough knowledge on the topic of *Payroll Accounting* specifically on the preparation of salary slips as they managed to provide appropriate responses. The candidates were able to prepare all the required salary slips to all given employees. Moreover, they succeeded to calculate the amount of deduction for Pay As You Earn (PAYE) tax, NSSF, NHIF, salary advance as well as the amount of net pay for each employee for the month. Furthermore, they were able to give correct entries in the respective employees salary slips. Extract 2.7.1 illustrates a sample of the correct responses.

### Extract 2.7.1

Qn.7

Salary slip of KULESHA MBWEMBWE enterprise for month Aug, 2013

Details-	Chungwa	Fumbi	Nawasi	Papui
Basic pay	200,000	160,000	180,000	240,000
Add Overtime pay	-	-	13,500	36,000
Meal allowance	20,000	16,000	18,000	24,000
Transport all	28,889	19,556	23,500	38,667
Responsibility all	40,000	-	-	48,000
Gross pay	288,889	195,556	235,000	386,667
less NSSF	28,889	19,556	23,500	38,667
NHIF	10,000	8,000	9,000	12,000
Salary advance	72,222	48,889	58,150	96,667
P.A.Y.E	34,445	16,389	27,500	83,334
Net pay	143,333	102,722	116,250	155,999

Extract 2.7.1 shows a sample of one of the correct responses from the script of a candidate who managed in calculating the amount for Pay As You Earn (PAYE) tax, NSSF, NHIF as well as the amount of net pay per month.

However, the majority of the candidates who scored moderate marks, some were able to prepare the salary slips of employees for the month of August, but they failed to record the amount for NSSF and NHIF appropriately while others failed to calculate the amount for Pay As You Earn tax and net pay for each employee.



On the other hand, candidates who performed poorly had insufficient knowledge on Payroll Accounting. Most of the candidates were able to prepare all the required salary slips to all given employees but they recorded wrong entries in the slips. Moreover, they were not able to calculate the amount of deduction for Pay As You Earn (PAYE) tax, NSSF, NHIF, salary advance as well as the amount of net pay for each employee for the month and they were not able to give correct entries in the respective employees. Extract 2.7.2 illustrates a sample of incorrect responses.

**Extract 2.7.2**

QNT KUKESHA MBWEMBE'S SALARY SLIP FOR THE MONTH					
	Details	Chungwa	Embe	Nanasi	Papai
	Basic Salary	10,000	8000	9000	12000
	<u>Allowances.</u>				
	Overtime Pay	—	—	1350	1800
	Meal allowance	10,000	800	900	1200
	Transport Allowance	1444	978	1250	1933
	Responsibility allow <sup>ance</sup>	2000	—	—	2400
	B Gross Salary.	14444	9778	12500	19333
	<u>Deductions.</u>				
	NSSF	1444	978	1250	1933
	NHIF	500	400	450	600
	Salary advance	3611	2445	3125	4833
	PAYE=	—	—	—	—
	Total deductions	(5555)	(3823)	(6075)	(7366)
	Net pay	8889	5955	6425	11967

Extract 2.7.2 shows a sample of one of the incorrect response from the script of a candidate. It is evident that the candidate was not able to calculate the amount for Pay As You Earn (PAYE) tax, NSSF, NHIF as well as the amount of net pay for each employee per month.

### **3.0 ANALYSIS OF ITEMS PER TOPIC**

The performance of the candidates in each topic is categorized as good, average and weak depending on the percentages of candidates who scored 30 percent and above. When the average performance of candidates falls between 0 – 29 percent, the performance in such topic is considered to be weak. When it falls under 30 – 49 percent it is an average performance and 50 – 100 percent the topic is considered as having a good performance.

The analysis of items per topic shows that, out of 16 topics examined in 2015, 15 topics had a good performance. 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, Accounting for Royalties, Company Accounts (Issue of Shares), Payroll Accounting (Salary Slip) and Auditing since most of them scored 30 percent and above.

The topic which was not performed well was Hire Purchases in which the percentage of candidates who scored 30 percent and above was 17.8 percent when is compared to 2014, this topic had a good performance of 77.2 percent. The possible reason for the drop in performance in this topic is comprehensive question which was set in 2015 compared to that of 2014.

The further analysis on the candidates' items response in Accountancy subject between years 2014 and 2015 shows that performance had increased for 0.54 percent. However, the topic which had weak performance remained to be one. (See the appendix attached at the end of this booklet).

## **4.0 CONCLUSION AND RECOMMENDATIONS**

### **4.1 Conclusion**

The analysis given in this booklet 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, to perform various calculations and to apply most concepts related to the subject.

Despite the good performance of the candidates, there is a need to put more efforts on the topic of Hire Purchase Accounting where the candidates had difficulties in responding to the given questions so that they can improve in those areas. These include; calculation of Hire Purchase Interest and transactions entering.

Moreover, it has been noted that some candidates experienced problems in answering questions involving problem solving. For instance, 94.5 percent of the candidates who attempted question 5 on Hire Purchase Accounting in paper two scored below half of the marks allotted.

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.

### **4.2 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 commercial 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) Teachers should put more emphasis in teaching the principles of double entry system.

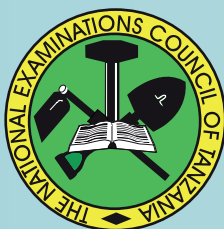
## Appendix

### Summary of Analysis of Performance of Candidates in Each Topic

S/N	TOPIC	2014			2015		
		NUMBE R OF QUETIO NS	PERCENTA GE OF CANDIDAT ES WHO SCORED 30 PERCENT AND ABOVE	RECOM MENDA TION	NUMBE R OF QUETIO NS	PERCENTAG E OF CANDIDATE S WHO SCORED 30 PERCENT AND ABOVE	RECOMME NDATION
1	Preparation of Financial Statements	5	23.5	Weak	1	99.1	Good
2	The Nature and Context of Accounting	1	83.7	Good	1	98.6	Good
3	Preparation of Financial Statements	1		Good	5	98	Good
4	Partnership Accounting	1	84.8	Good	1	97.9	Good
5	Accounting for Royalties	1	96.7	Good	1	97.9	Good
6	Container Accounts	1	93.6	Good	1	95	Good
7	(a) Recognition of Revenue and Expenses	2	94.3	Good	2	92.9	Good
	(b) Depreciation and Disposal of Non-Current Assets						
8	(a) Branch Accounts	2	94.7	Good	2	89.2	Good
	(b) Correction of Accounting Errors						
9	Payroll accounting	1	61.6	Good	1	86.9	Good
10	Company account	1	94.6	Good	1	86	Good
11	Auditing	5	73.0	Good	5	79.9	Good

S/N	TOPIC	2014			2015		
		NUMBE R OF QUETIO NS	PERCENTA GE OF CANDIDAT ES WHO SCORED 30 PERCENT AND ABOVE	RECOM MENDA TION	NUMBE R OF QUETIO NS	PERCENTAG E OF CANDIDATE S WHO SCORED 30 PERCENT AND ABOVE	RECOMME NDATION
12	(a) The Nature and Context of Accountin g	2	77.8	Good	2	78.5	Good
	(b) Financial Statements Analysis and Interpretat ion						
13	(a) Reserves and provision	2	66.0	Good	2	78	Good
	(b) Investmen t Account						
14	Hire Purchase Accounting	1	77.2	Good	1	17.8	Weak

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**153 ACCOUNTANCY**

