SECTION A (15 Marks)

1. Multiple Choice Questions

i. B – The art of recording business transactions systematically
ii. C – Ledger
iii. C – Every transaction affects two accounts
iv. B – Assets = Liabilities + Capital
v. C – Creditors Account
vi. B – Test the arithmetic accuracy of ledger entries
vii. B – Furniture
viii. B – Credit note
ix. B – Income Statement
x. C – Posting

2. Matching Items

i. Credit note → C (Document for returning goods to supplier)
ii. Trial Balance → E (List of balances to check arithmetic accuracy)
iii. Statement of Financial Position → A (Shows assets, liabilities and capital)
iv. Ledger → D (Book containing individual accounts)
v. Income Statement → B (Statement of income and expenses)

SECTION B (70 Marks)

3. Book Keeping Definition and Objectives

(a) **Definition:** Book Keeping is the systematic recording of all business transactions in a chronological order.

(b) **Objectives:**

1. To keep a systematic record of all transactions.
2. To determine profit or loss of the business.
3. To ascertain the financial position of the business.
4. To provide information for decision-making and taxation purposes.

4. Double Entry System

(a) **Meaning:** A system of recording transactions where every transaction affects at least two accounts, with one account debited and another credited.

(b) **Rules of Double Entry:**

1. **Debit the receiver, credit the giver** (for personal accounts).
2. **Debit what comes in, credit what goes out** (for real accounts).
3. **Debit all expenses and losses, credit all incomes and gains** (for nominal accounts).

5. Journal Entries and Ledger Posting

(a) **Journal Entries:**

Date	Particulars	Debit (TZS)	Credit (TZS)
1	Cash A/C	500,000	
	Capital A/C		500,000
2	Purchases A/C	200,000	
	John A/C		200,000
3	Rent A/C	50,000	
	Cash A/C		50,000

(b) **Ledger Accounts:**

Cash Account

Date	Details	Debit	Credit	Balance
1	Capital	500,000		500,000
3	Rent		50,000	450,000

Capital Account

Date	Details	Debit	Credit	Balance
1	Cash		500,000	500,000

Purchases Account

Date	Details	Debit	Credit	Balance
2	John	200,000		200,000

John Account (Creditor)

Date	Details	Debit	Credit	Balance
2	Purchases		200,000	200,000

Rent Account

Date	Details	Debit	Credit	Balance
3	Cash	50,000		50,000

6. Types of Ledgers

(a) **Three types:**

1. **Sales Ledger**
2. **Purchases Ledger**

3. **General Ledger**

(b) **Purpose:**

1. **Sales Ledger:** Records all credit sales and customer balances.
2. **Purchases Ledger:** Records all credit purchases and supplier balances.
3. **General Ledger:** Records all other accounts not included in subsidiary ledgers (assets, expenses, capital, etc.).

7. Trial Balance

(a) **Causes of Trial Balance not balancing:**

1. Errors in ledger posting.
2. Omission of a transaction in the journal.
3. Wrong amounts recorded in debit or credit.

(b) **Errors that do not affect Trial Balance:**

1. Compensating errors.
2. Errors of omission (transaction not recorded at all).
3. Errors of principle (wrong account type used).
4. Errors of commission (amount entered in wrong personal account but same value).

8. Income Statement vs Statement of Financial Position

(a) **Differences:**

Income Statement	Statement of Financial Position
Shows income and expenses over a period	Shows assets, liabilities, and capital at a specific date

Income Statement	Statement of Financial Position
Used to determine profit or loss	Used to determine financial position
Covers a period of time	Snapshot at a specific date

(b) **Items on Statement of Financial Position:**

1. Assets (e.g., furniture, cash)
2. Liabilities (e.g., creditors)
3. Capital
4. Drawings

SECTION C (15 Marks)

9. Importance of Preparing Financial Statements

- Helps the business owner determine profit or loss.
- Shows the financial position (assets, liabilities, and capital).
- Assists in making informed business decisions.
- Provides information for taxation and legal compliance.
- Useful for securing loans or attracting investors.

10. Relationship Between Journals, Ledgers, Trial Balance, and Financial Statements

- **Journal:** Chronologically records all business transactions.
- **Ledger:** Transfers (posts) journal entries to individual accounts for detailed tracking.
- **Trial Balance:** Summarizes all ledger balances to check arithmetic accuracy.
- **Financial Statements:** Prepared from trial balance; includes Income Statement and Statement of Financial Position, providing overall financial information to the owner and stakeholders.

✅ **END OF ANSWERS**