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

V END OF ANSWERS