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... Bastion of Knowledge ...

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ACADEMICS, RESEARCH AND STUDENTS' AFFAIRS

UNIVERSITY EXAMINATIONS

2019 /2020 ACADEMIC YEAR

3rd YEAR 1ST SEMESTER REGULAR EXAMINATION

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: BBM 300

COURSE TITLE: PUBLIC SECTOR ACCOUNTING

DATE:06/12/2019

TIME: 9.00AM-12.00PM

INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 4 PRINTED PAGES

PLEASE TURN OVER

INSTRUCTIONS ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS

QUESTION ONE(30 MARKS)

- a) Outline the powers of the Auditor General in the exercise of his duties (5 marks)
- b) Highlight the importance of using accounting standards as the basis for preparing financial statements (5 marks)
- c) The approved Estimates and Actual Expenditure details for vote E45 of ministry ABC for the financial year 2018/2019 were as follows:

		Approved Estimate Sh, 000	Actual Expenditure sh 000
000	Personal Emoluments	246,560	195,040
50	House allowances	39,100	28,520
80	Passages and Leave Expenses	8,280	1,334
100	Transport Operating Expenses	32,200	27,186
110	Traveling and Accommodation Expenses	2,668	3,312
120	Postal and Telegram Expenses	9,200	6,624
190	Miscellaneous other Charges	34,960	33,764
196	Training Expenses	11,960	13,476
230	Purchase of Equipment	42,000	17,600
620	Appropriations - in -Aid	2,000	11,120 (Realised)

The Ministry made four equal withdraws from the Exchequer in July 2018, October 2018, January 2019 and May 2019. In total the Ministry had withdrawn Sh.400,000,000 by the end of the 2018/2019 financial year.

000	Personal Emoluments	12,000 (reduction)
196	Training Expenses	2,000 (increase)
620	Appropriations -In-Aid	8,000 increase)

Required: (4 marks each)

- i. Appropriation account for the year ended 30 June 2019
- ii. General Account of vote for the year ended 30 June 2019.
- iii. Exchequer Account for the year ended 30 June 2019
- iv. Paymaster General (PMG) account for the year ended 30 June 2019
- v. Statement of assets and liabilities as at 30 June 2019.

QUESTION TWO (20 MARKS)

The following information was extracted from the books of the Ministry of Finance for the fiscal year ended 30 June 2019.

	Shs. "000"
Reserves	900,000
Accumulated fund as at 1 July 2018	375,000
Cash and cash equivalent	250,000

Receivables	100,000
Inventory	50,000
Transfer from other ministries	25,000
Other revenue	300,000
Payables	250,000
Land, buildings and furniture	1,750,000
Computer equipment and motor vehicles	250,000
Wages and salaries	500,000
Transfer to other ministries	250,000
Supplies and consumables used	200,000
Other expenses	600,000
Finance cost	50,000
Long term borrowing	500,000
Liability for long – term employee benefits	100,000

Required:

- a) Statement of financial performance for the year ended 30 June 2019(10 marks).
- b) Statement of financial position as at 30 June 2019.(10 marks).

QUESTION THREE (20 MARKS)

Uzuri County Council authorised the construction of a city hall on 1 July 2018. The hall was expected to cost Sh. 160,000,000. The project was to be financed as follows: Sh. 80,000,000 from a 6.5% bond issue. Sh. 64,000,000 from a government grant. Sh. 16,000,000 from the general fund. The following transactions and events took place during the year ended 30 June 2019:

- i. The county council transferred Sh. 16,000,000 from the general fund to the city hall capital fund. The capital project fund was for the purpose of construction of the city hall.
- ii. Planning and architects fees amounting to Sh.6,400,000 were paid.
- iii. The contract was awarded for Sh. 152, 000,000.
- iv. The 6.5% bonds were sold for Sh. 80,320,000 and the amount of the premium transferred to the debt service fund.
- v. The contract was certified 50% complete and an invoice for Sh.76,000,000 was received from the contractor. The contractor was paid the invoiced amount less 10% retention

Required:

- i) Journal entries to record the above transactions.
- ii) Statement of revenue and expenditure of the capital project fund for the year ended 30 June 2019.
- iii) Statement of financial position of the capital project fund as at 30 June 2019

QUESTION FOUR (20 MARKS)

- a) Explain the following terms in the context of public sector accounting: (4 marks)
 - i) Commitment accounting (4 marks)
 - ii) Fund accounting(4 marks)
 - iii) Appropriation-In-Aid (2 marks)
 - iv) Paymaster general (2 marks)
 - v) General Account of Vote(2 marks)
- b) Explain three roles of the International Public Sector Accounting Standards Board (IPSASB).(6 marks)

QUESTION FIVE (20 MARKS)

- a) Identify four benefits that would accrue to the government as a result of adopting the International Public Sector Accounting Standards(IPSASs) (4 marks)
- b) Government expenditure is classified into recurrent expenditure and development expenditure. Citing two examples, explain the two categories of expenditure. (4 marks)
- c) The International Public Sector Accounting Standards (IPSASs) recommend the use of accrual basis of accounting for public sector entities. (4 marks)
- d) Discuss the case for and against the use of accrual basis of accounting in the public sector. (4 marks)