

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF MASTER OF BUSINESS
ADMINISTRATION

MBAD 817: PUBLIC SECTOR ACCOUNTING

STREAMS: MBAD Y2S1

TIME: 2 HOURS

DAY/DATE: MONDAY 12/07/2021

2.30 P.M. – 4.30 P.M.

INSTRUCTIONS:

- Answer question one and any other three.
- Do not write on the question paper.

QUESTION ONE

- (a) Explain the challenges experienced by Kenyan accountants in implementing international public sector accounting standards. (6 marks)
- (b) The following data were taken from the accounting records of the town of Ole Meka General Fund after the accounts had been closed for the fiscal year ended 30 September 2019.

Balances Fiscal Year 2019 changes

Assets	1 October 2018 Sh.	Debit Sh.	Credit Sh.	30 Sept. 2019 Sh.
Cash	180,000	955,000	880,000	225,000
Taxes Receivable	20,000	809,000	781,000	48,000
Estimated uncontrolled tax	(4,000)	6,000	9,000	(7,000)
	<u>(196,000)</u>			<u>296,000</u>
Liabilities, Reserves and Funds				
Balances:				
Vouches payable	44,000	880,000	889,000	53,000
Due to intra governmental Service fund	2,000	7,000	10,000	5,000
Due to Debt Service Fund	10,000	60,000	10,000	50,000

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Reserved for encumbrances	40,000	40,000	47,000	47,000
Fund balance	<u>100,000</u>	20,000	61,000	141,000
	<u>19,000</u>	<u>2,777,000</u>	<u>2,777,000</u>	<u>296,000</u>

The following additional data is available:

- (i) The budget for fiscal year 2019 provided for estimated revenues of Sh. 1,000,000 and appropriations of Sh. 965,000.
- (ii) Expenditure totaling Sh. 895,000 in addition to those chargeable against reserve for encumbrances, were made.
- (iii) The actual expenditure chargeable against reserve for encumbrance was Sh. 37,000.

Required:

Show journal entries to record the above transactions in the books of town of Ole Meka General Fund. (15 marks)

- (c) The following transactions were recorded in Nairobi at the ministry of foreign affairs in relation to cleaning.

1/10/2020 – Authorized appropriation ksh. 500,000

2/10/2020 – Paid ksh30,000 for purchase of brooms on payment voucher no. 001

3/10/2020 – Placed L.P.O no. 001 to chops stores for detergents worthy Ksh. 50,000

4/10/2020 – Paid the contracted cleaning company clean master Ksh. 100,000 on payment voucher no. 802.

5/10/2020 – Paid chops stores under payment s voucher no. 003

6/10/2020 – issued LPO no.002 for purchase of fungicides from Kamwea grovet for Ksh. 30,000

Note the head/subhead for cleaning is 504/02

Required:

- (a) Prepare a vote book. (5 marks)
- (b) Distinguish between commitment accounting and fund accounting in relation to public sector. (6 marks)
- (e) Critically evaluate the view that appraisal process does not necessarily secure value for public money. (8 marks)

QUESTION TWO

- (a) Explain the current conceptual and regulatory framework of public sector accounting in Kenya. (8 marks)
- (b) The approval Estimates and Actual Expenditure details for vote E45 of Ministry ABC for the financial year 2018/2019 were as follows:

	Approved Estimates 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 Travelling and Accommodation	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 Purchases of Equipment	42,000	17,600
620 Appropriate –in-Aid	2,000	11,120

The ministry made for equal withdrawals 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.

Supplementary estimates authorized during the year were as follows:

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

Required

- (i) Appropriation account for the year ended 30 June 2019. (3 marks)
- (ii) General Account of vote the year ended 30 June 2019. (3 marks)
- (iii) Exchequer Account for the year ended 30 June 2019. (2 marks)
- (iv) Paymaster General (PMG) account for the year ended 30 June 2019. (2 marks)
- (v) Statements of assets and liabilities as 30 June 2019. (2 marks)

QUESTION THREE

- (a) The auditor general is the government/public watchdog. Discuss his role in public sector accounting. (10 marks)
- (b) The following information relates to Tharaka Nithi County government for the year ended 30th June 2015.

	Estimated Revenues (Sh)	Actual Receipts
Renting building and equipment	850,000	870,000
Fees for trading licenses	430,000	400,000
Fees for import/export licenses	470,000	480,000
Other receipts	235,000	210,000

The following additional details are available:

- (i) Balance on hand as at 30th June 2014 Ksh. 247,000
- (ii) Balance on hand as at 30th June 2015 Ksh. 160,000

Required:

Prepare a statement of revenue account for the year ended 30th June 2015. (10 marks)

QUESTION FOUR

- (a) Compare and contrast the role of an accountant in a governmental accounting with that of an accountant in commercial accounting. Explain and illustrate the distinction extraordinary items and exceptional items. (5 marks)
- (b) Postal limited purchased a machine for Ksh 30 million on 1st January 2012 and received a grant of Ksh. 5 million from the government against the purchase of the machine. The machine was expected to have a useful life of four years and a nil residual value at the end of its expected life. The straight line method of depreciation is used by the company. The profit before depreciation was Ksh. 25 million in each of the four years.

Required:

A statement of financial position to show the company how it may account for the grant from government. (5 marks)

- (c) Explain the role of officer controlling expenditure in county governments in Kenya. (5 marks)
- (d) Expenditure controls are necessary in the county governments. Evaluate effectiveness of five controls in Kenya. (5 marks)

QUESTION FIVE

(a) Evaluate the inherent weakness in cash basis of accounting over accrual basis. (5 marks)

(b) The council of Mashimoni authorizes the construction of a new city hall on 1 January 2020. This hall is expected to cost Sh. 100,000,000. Financing for the project is to be Sh. 50,000,000 from $6\frac{1}{2}$ per cent concessional loan, Sh. 40,000,000 from a government grant and Sh. 10,000,000 from the general fund (GF). Transactions and events during 2020 are as follows:

- Fund
- (i) The city transfers Sh. 10,000,000 from the GF to the City Hall Capital Project (a CPF created for the construction)
 - (ii) Planning and architect's fees are paid in the amount of Sh. 4,000,000.
 - (iii) The contract is awarded to the lowest bidder for Sh. 95,000,000.
 - (iv) The bonds are sold for Sh. 50,200,000
 - (v) The amount of the premium is transferred to the debt service fund.
 - (vi) The construction is certified to be 50 percent complete and a bill for Sh. 47,500,000 is received from the contractor.
 - (vii) Contracts payable, less a 10 percent retained percentage, is paid.
 - (viii) The books are closed and financial statements are prepared.

Required:

- (i) Journal entries to record the above transactions. (10 marks)
 - (ii) Financial statement of the capital project fund for the year 2020. (5 marks)
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