

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF MASTER OF BUSINESS
ADMINISTRATION

MBAD 817: PUBLIC SECTOR ACCOUNTING

STREAMS: MBAD

TIME: 3 HOURS

DAY/DATE: WEDNESDAY 06/12/2017

2.30 P.M. – 5.30 P.M.

INSTRUCTIONS: ANSWER ANY FOUR QUESTIONS

QUESTION ONE

- (a) Distinguish between government account and private sector accounting. [10 marks]
- (b) The ministry of treasury estimated the revenue from licenses for the year ended 30th June 2011 to be as follows:

Vote head	Details	Amount (shs. in millions)
011	Trade licenses	765
012	Hotel and restaurant licenses	900
013	Export licenses	955
014	Registration of bank licenses	1050
015	Professional licenses to practices	75
016	Mining licenses	1450
017	Liquor licenses	500

During the year, Treasury introduced a new vote head 018 known as secondhand clothes licenses under supplement estimate number 1. The estimated revenue from the vote was shs. 450 million.

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The actual revenue during the year was as follows:

Vote head	Details	Amount (shs. in millions)
011	Trade licenses	900
012	Hotel and restaurant licenses	870
013	Export licenses	1400
014	Registration of bank licenses	1120
015	Professional licenses to practices	70
016	Mining licenses	1450
017	Liquor licenses	10
018	Second hand clothes licenses	465

Additional information:

- (i) The balance of revenue from licenses as at 1st July 2010 was sh. 325 million
- (ii) As at 30th June 2011 the amount of revenue from licenses due to the exchequer was shs. 124 million

Required:

Revenue account with regard to licenses for the year ended 30th June 2011. [15 marks]

QUESTION TWO

- (a) Explain the current conceptual and regulatory framework of public sector accounting in Kenya. [10 marks]
- (b) The approved estimates and actual expenditure details of Ministry of Education for the year 2011/2012 were as follows:

	SHS (000)
Gross estimated expenditure	680,000
Estimated appropriation in aid	40,000
Net estimate	<u>640,000</u>
Drawings from exchequer	530,000
Gross expenditure	490,000
Actual appropriation in aid	30,000

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Required:

- (i) The General Account of Vote (G.A.V) [4 marks]
- (ii) The Exchequer Account [4 marks]
- (iii) Paymaster General (P. M. G) account [4 marks]
- (c) A statement of assets and liabilities as at 30th June 2012. [3 marks]

QUESTION THREE

- (a) Critically evaluate the view that appraisal process does not necessarily secure value for public money. [8 marks]
- (b) The county government of Mombasa authorized the construction of a county assembly hall on 2st January 2012. The hall was expected to cost shs. 100,000,000. The project was to be financed as follows:
 - Shs. 50,000,000 from 6.5% bond issue
 - Shs. 40,000,000 from central government grant
 - Shs. 10,000,000 from the general fund

The following transaction and events took place during the year ended 31st December 2012.

- (i) The county government transferred shs. 10,000,000 from the general fund to county assembly hall capital project fund.
- (ii) Planning and architects fees amounting to shs. 4, 000,000 was paid.
- (iii) The contract was awarded for shs. 95,000,000
- (iv) The bonds were sold for shs. 50, 200,000 and the amount of premiums transferred to the debt service fund.
- (v) The contract was certified 50% complete and an invoice of shs 47,500,000 was received from the contractor.
- (vi) The contractor was paid the invoiced amount less 10% retention.

Required:

- (i) Journal entries to record the above transactions. [4 marks]
- (ii) Statement revenue and expenditure for the capital project fund for the year ended 31st December 2012. [9 marks]
- (iii) Statement of financial position of the capital project fund as at 31st December 2012. [4 marks]

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QUESTION FOUR

The following relates to a government parastatal charged with electricity distribution.

Trial balance

	Dr.	Cr.
Authorized and issued share capital		700,000
12% debentures		450,000
Freehold land	279,000	
Buildings	180,000	
Plant and machinery	300,000	
Mains	240,000	
Transformers and motors	60,000	
Meters	45,000	
Electrical instrument	12,000	
General stores	70,500	
Office furniture	7,500	
Coal and fuel	52,500	
Oil and engine room stores	30,000	
Wages	75,000	
Repairs and replacements	30,000	
Rates	9,000	
Salaries of supervisors	60,000	
Directors fees	15,000	
Stationery, printing and advert	18,000	
Incidental expenses	3,000	
Legal charges	6,000	
Retained surplus		
Sales:		
By meters		50,000
By contractors		262,500
Meter rent		150,000
Sundry creditors		9,000
Sundry debtors	90,000	
Cash	99,000	
	<u>1,681,500</u>	<u>1,681,500</u>

Additional information:

- (i) Advertising has been prepaid by shs. 5, 000,000
- (ii) Make provision of 5% for doubtful debts.
- (iii) Depreciation is to be charged as follows:
 - Buildings 2.5%
 - Machinery 7.5%
 - Transformers 10%
 - Meters and electrical instruments 15%
 - Office furniture 10%
- (iv) Make a provision of corporation tax for shs. 7,500,000

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Required:

- (i) Revenue account and net revenue account for the year ended 31st December 2012. [15 marks]
- (ii) Balance sheet as at that date. [10 marks]

QUESTION FIVE

- (a) Explain the duties and functions of officer controlling expenditure. [10 marks]
- (b) The auditor general is the government/public watchdog. Discuss his role in public sector accounting. [15 marks]
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