

**CHUKA**



**UNIVERSITY**

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**UNIVERSITY EXAMINATIONS**

**EXAMINATION FOR THE AWARD OF DEGREE OF  
MASTERS OF BUSINESS ADMINISTRATION**

**MBAD 817: PUBLIC SECTOR ACCOUNTING**

**STREAMS: MBAD**

**TIME: 3 HOURS**

**DAY/DATE: MONDAY 10/12/2018**

**2.30 PM – 5.30 PM**

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**INSTRUCTIONS:**

**Answer Question One and any other Three**

**QUESTION ONE**

- (a) Evaluate the inherent weaknesses in cash basis of accounting over accrual basis. [5 marks]
- (b) Explain seven external users of public sector accounting information. [14 marks]
- (c) The details of a votebook relating to cleaning were as follows:
- (i) Authorised appropriation in and – ksh 3,400,000
  - (ii) 2/8/2010 – paid hockey winners workers for supply of brooms kshs 100000 under payment voucher No 001
  - (iii) 5/8/2010 – paid clean master ksh 30,000
  - (iv) 9/8/2010 – issued an LPO to Chuka stationers. The LPO number was 004 for ksh 400,000
  - (v) 15/8/2010 – paid Kabarage team ksh 500,000 for supplied carpets under voucher 003
  - (vi) 21/8/2010 – settled Chuka stationers
  - (vii) 22/8/2010 – issued an LPO to Runyenjes stores for ksh 150,000 to supply JIK
- Required: A vote book to record the above transactions. [7 marks]

- (d) The country government of Mombasa authorizes construction of a new road on 1<sup>st</sup> January 2012.

The road is expected to cost ksh. 500 million. The financing is to come from 6% concessional loan of ksh 250 million and balance from general fund. The transactions that followed are:

1. The city transfers ksh 200 million to the road project fund
2. The engineering fee are paid at ksh 20 million
3. The concessional loan is awarded by IMF
4. The contract is awarded to lowest bidder at ksh 490 million
5. 70% percent of contract is certified complete and ksh 400 million paid out.
6. The books are closed and financial statements prepared:

Required:

- (i) Journal entries to record the above transactions [9 marks]
- (ii) Financial statement of capital project fund for the year ended 30<sup>th</sup> December 2008. [5

marks]

## QUESTION TWO

- (a) Evaluate the functions of accountant-general in relation to County government accounting. [10 marks]
- (b) Telkom Ltd purchased transmission equipment for ksh. 40 M 1<sup>st</sup> February 2014 and received a grant of 10 million from government. The equipment is expected to have a useful life of four years and zero residual value. The profit before depreciation is ksh 30 million for each of the 4 years.

Required: A balance sheet to account for the grant in the four years. [10 marks]

## QUESTION THREE

- (a) Explain the features and purposes of adjustment vouchers in government. [10 marks]
- (b) You have been appointed the finance officer incharge of imprest in the county government and the following transactions take place
  - (i) Issued with ksh. 3000000 disbursement as money to be used in the month
  - (ii) Issued imprest to Mr. Kamau for ksh. 200000 for benchmarking exercise abroad.
  - (iii) Funded a research committee of the governor for ksh 30000
  - (iv) Funded the kitchen manager for essentials of ksh 50000
  - (v) Issued travel imprest to various staff totaling ksh 70000

Required: Show the imprest cash book for the county government after the above transactions. [10 marks]

**QUESTION FOUR**

- (a) Expenditure controls are necessary in the national government. Evaluate effectiveness of five controls in Kenya. [10 marks]
- (b) The approved estimates and actual expenditure of ministry of Education in the year ended 30<sup>th</sup> June 2009 were as follows:

Details	Estimates	Actual
Staff costs	127000000	109000000
Passage & leave	2000000	7800000
Travelling & accommodation	1600000	1400000
Transport and accommodation	5000000	3700000
Equipment	25000000	17000000
Appropriation in aid	Ksh 1000000	3000000

The ministry made three equal withdrawals from exchequer. The total withdrawal was ksh 150 million

Required:

- (i) General account of vote [2 marks]
- (ii) The exchequer account [2 marks]
- (iii) Payment general [2 marks]
- (iv) Statement of assets and liabilities [4 marks]

**QUESTION FIVE**

- (a) Explain the role auditor general in county governments. [10 marks]
  - (b) Public debt management is a challenge to Kenya today. Explain how government finance officers can help in its management. [10 marks]
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