



MURANGA UNIVERSITY COLLEGE

(A constituent College of Jomo Kenyatta University of Agriculture & Technology)

MAINCAMPUS

ORDINARY UNIVERSITY EXAMINATIONS

2014/2015 ACADEMIC YEAR

THIRD YEAR SECOND SEMESTER EXAMINATIONS

FOR THE DEGREE

OF

BACHELOR OF COMMERCE

COURSE CODE: HBA 2304

COURSE TITLE: PUBLIC SECTOR ACCOUNTS

DATE: APRIL 23, 2015

TIME: 2.00 P.M. - 5.00 P.M.

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory
Answer TWO (2) questions

MRUC observes ZERO tolerance to examination irregularities

QUESTION 1(COMPULSORY)

(a) Identify **Five (5)** general characteristics of Public Sector Accounting .(5 Marks)

(b) Highlight **Six(6)** differences between the commercial Accounting and Public Sector Accounting.(6 Marks)

(c)(i) Differentiate between Cash and Accrual bases of accounting. (4 Marks)

(ii) Suggest any **Four** reasons why the Accrual basis of Accounting is often preferred to the Cash basis of Accounting. (4 Marks)

(d) The approved estimates and actual expenditure details for the Ministry of Justice and Constitutional Affairs for the year 2009/2010 were as follows;

Code	Details	Approved Estimates	Actual Estimates
Sh “000”		Sh “000”	
000	Personnel Emoluments	123,280	97,520
050	House Allowance	19,550	14,260
080	Passage and Leave	41,040	667
100	Travelling and Accommodation	1,334	1,656
110	Transport Expenses	16,100	13,593
120	Communication expenses	4,600	3,312
190	Miscellaneous expenses	17,480	16,882
196	Training expenses	5,980	4,738
230	Purchasing of Equipment	21,000	39,800
620	Appropriation-In-Aid	1,000	5,560

The Ministry made four equal withdrawals from the Exchequer in July 2009, October 2009, January 2010 and May 2010, totaling to Sh.200,000,000 by the end of the year.

Required

- (i) The general account of vote (GAV) (3 Marks)
- (ii) The Exchequer Account (3 Marks)
- (iii) The Pay Master General (PMG) account (2 Marks)

- (iv) Statement of assets and liabilities as at 30th June 2010 (3 Marks)
(TOTAL;30 MARKS)

QUESTION TWO

- (a) The international Public Sector Accounting Standard (IPSAS) Number 26, deals with the the Accounting treatment of “Impairment of Cash-Generating Assets”.
- (i) Differentiate between “Impairment” and “Depreciation” (2 marks)
 - (ii) Describe a Cash Generating Asset as it relates to Public Sector Accounting (4 Marks)
 - (iii) Indicate **Four** characteristics of an impaired Cash Generating Asset (4 Marks)
 - (iv) Using an appropriate example, state **four** highlights that this standard prescribes about Impairment of Cash-Generating Assets (4 Marks)
- (b) Explain **three** functions of the following parliamentary Select Committees in the context of Public Sector Accounting.
- (i) Committee of Ways and Means (3 Marks)
 - (ii) Public Accounts Committee (3 Marks)
- (TOTAL ;20 MARKS)**

QUESTION THREE

- (a) (i) Explain four duties of the Controller and Auditor General in the context of Public Sector Accounting. (4 Marks)
- (ii) State the powers of the Controller and Auditor General in the context of Public Sector Accounting. (4 Marks)
- (c) Explain the following meaning of the following terms as applied in Public Sector Accounting.
- (i) Consolidated Fund Service (3Marks)
 - (ii) Contingencies Fund (3Marks)
 - (iii) General Fund (3Marks)
 - (iv) Debt Service Fund (3Marks)
- (TOTAL ;20 MARKS)**

QUESTION FOUR

- (a) (i) Define the term “Zero-base Budgeting” (2 Marks)
 (iii) How is it different from the Traditional budgeting? (4marks)
 (b) In the year 2014,the County Government XYZ in kenyahad the Incomes and Expenditures;

Receipts			Payments		
Number	Item	Amount Sh “000”	Number	Item	Amount Sh “000”
(i)	Rates and Taxes	193,000	(i)	General	
(ii)	Other Fees and		(i)	Administration	307,000
(iii)	Taxes	268,000	(ii)	Public Safety	230,000
(iii)	Fines and Penalties	164,000	(iii)	Public Health	
(iv)	Parking Fees	125,010		and	
(v)	Gate collections		(iv)	Convenience	162,000
	Fees	51,000	(iv)	Public works	350,000
(vi)	Car and Halls Hire	62,000	(v)	Bursaries to	
(vii)	Water and		(v)	Schools	209,000
	sewerage services	409,000	(vi)	Wages and	
(viii)	Cess	97,000	(vi)	Salaries	547,000
	Other Collections	370,000	(vii)	Pensions and	
(ix)	National		(vii)	Gratuities	96,000
(x)	Government Grants	<u>354,000</u>	(viii)	Other	
		<u>2,093,010</u>	(viii)	Payments	188,000
(xi)			(ix)	Surplus	<u>4,010</u>
					<u>2,093,010</u>

Previously, this particular devolved Government has been applying the traditional method of Budgeting. However, for this year(2015),it has decided to follow the Zero Base Budgeting approach.

The following is the additional information;

(i)For the Sources;

-The Rates and Taxes, Miscellaneous Taxes are to be increased by 10%

- Fines and Penalties are to be reduced to Sh43Million.

-Parking Fees to be increased to Sh 150Million

-Due to increased entertainment, Gate collections Fees is to be increased to Sh 113Million

-Car and Halls Hire is to be dropped due to misuse of the facilities.

- Water and sewerage services collections are vitally important and would be expected to increase to Sh 555Million.
- Other Collections would be scrapped off
- Cess would be reduced by half the amount indicated in 2014.
- National Government Grants is expected to increase by sh 105 Million
- (ii)For the Payments;
- The General Administration,Bursaries to Schools,Wages and Salaries are to be increased each by 10% of the amounts in 2014.
- Public Safety expenses are to be doubled due to insecurity concerns.
- Public Health and Convenience is to be increased by Sh 30Million to factor in the Maintenance of the kidney dialysis Equipment soon to donated by the National Government.
- Public works expenses are to be increased by 15% due to the Maintenance of the rural access roads.
- Pensions and Gratuities contributions are to be increased by 2% owing to the increase in the number of Permanent and Pensionable, and those on contract.
- Publicity expenses are to be introduced in order to put the entire population in the know of the achievements in the county.
- No other payments are anticipated.

Required

Using Zero-Base Budgeting prepare a 2015 Budget for the county Government XYZ

(14 Marks)

(TOTAL ;20 MARKS)