



MURANGA UNIVERSITY COLLEGE

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

MAIN CAMPUS

SPECIAL/SUPPLEMENTARY UNIVERSITY EXAMINATIONS

2014/2015 ACADEMIC YEAR

THIRD YEAR EXAMINATIONS

FOR THE DEGREE

OF

BACHELOR OF COMMERCE

COURSE CODE: HBA 2304

COURSE TITLE: PUBLIC SECTOR ACCOUNTS

DATE:

TIME:

INSTRUCTIONS TO CANDIDATES

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

MRUC observes ZERO tolerance to examination irregularities

QUESTION ONE (COMPULSORY)

- (a) Explain the various sources of Government Funds (4 Marks)
- (b) The international Public Sector Accounting Standard (IPSAS) Number 17, deals with the Accounting treatment of “Property, Plant and Equipment”.
 - (i) Define Property ,Plant and Equipment as they relate to Public Sector Accounting (4 marks)
 - (ii) Indicate **Four** characteristics of Property ,Plant and Equipment (4 Marks)
 - (iii) Using an appropriate example, state **four** highlights that this standard prescribes about Property ,Plant and Equipment (4 Marks)
- (c) (i) Explain the role of the Parliament in the context of Public Sector Accounting. (3 Marks)
- (ii) Differentiate between Public Sector Accounts and Commercial Enterprises Accounts (4 Marks)
- (d) Out line **Six** benefits of Adopting International Public Sector Accounting Standards (IPSASs) (6marks)

(TOTAL; 30 MARKS)

QUESTION TWO

- (a) (i) Highlight the key characteristics of Cash Basis of Accounting (4Marks)
- (i) Suggest **Two** areas where the Accounting basis is applicable (2marks)
- (b) In the year 2014,the County Government XYZ in kenya had the Incomes and Expenditures;

Receipts			Payments		
Number	Item	Amount Sh “000”	Number	Item	Amount Sh “000”
(i)	Rates and Taxes	193,000	(i)	General Administration	307,000
(ii)	Other Fees and 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 Fees	51,000	(iv)	Convenience	162,000
			(v)	Public works	350,000
(vi)	Car and Halls Hire	62,000	(v)	Bursaries to Schools	209,000
(vii)	Water and sewerage services	409,000	(vi)	Wages and Salaries	547,000
(viii)	Cess	97,000	(vii)	Pensions and Gratuities	96,000
(ix)	Other Collections	370,000	(viii)	Other Payments	188,000
(x)	National Government Grants	<u>354,000</u>			
		<u>2,093,010</u>			
(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 Sh 43 Million.
- Parking Fees to be increased to Sh 150 Million
- Due to increased entertainment, Gate collections Fees is to be increased to Sh 113 Million
- 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 555 Million.
- 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 30 Million to factor in the Maintenance of the kidney dialysis Equipment soon to be 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)

QUESTION THREE

(a) Explain three objectives of fund accounting in the context of public sector accounting
(6 Marks)

(b) The following details relate to the approved estimates and actual expenditures of a certain government ministry for the financial year ended June 30,2012;

Code	Details	Approved Estimates Sh “000”	Actual Estimates Sh “000”
000	Personnel Emoluments	1,800,000	1,900,000
050	House Allowance	300,000	260,000
080	Passage and Leave	100,000	90,000
140	Travelling and Subsistence	440,000	460,000
110	Electricity and Water	120,000	130,000
220	Purchasing of Equipment	1,000,000	800,000
650	Appropriation-In-Aid	300,000	240,000

Supplementary estimates authorized during the year were as follows;

Vote number	Details	Sh “000”
080	Passages and Leave	170,000
110	Travel expenses	(40,000)

Required;

Appropriations account for the year ended 30 June 2012.

(14 Marks)

(TOTAL; 20 MARKS)

QUESTION FOUR

- (a) Government Expenditure is classified into recurrent expenditure and development expenditure.

Citing examples, explain the two categories of expenditures

(4 Marks)

- (b) (ii) Explain four duties of the Controller and Auditor General in the context of Public Sector Accounting.

(4 Marks)

- (c) The International Public Sector Accounting Standards (IPSASs) recommends the use of accrual basis of accounting for public sector entities .

Discuss the case for and against the use of accrual basis of accounting in the public sector

(6 Marks)

- (d) Highlight the importance of using Accounting standards as the basis for preparing financial statements.

(6 Marks)

(TOTAL; 20 MARKS)