



**MASINDE MULIRO UNIVERSITY OF  
SCIENCE AND TECHNOLOGY  
(MMUST)**

**MAIN CAMPUS**

**UNIVERSITY EXAMINATIONS  
2021/2022 ACADEMIC YEAR**

**SECOND YEAR MAIN EXAMINATIONS**

**FOR THE DEGREE  
OF  
MASTER OF BUSINESS ADMINISTRATION**

**COURSE CODE: MBA824**

**COURSE TITLE: PUBLIC SECTOR ACCOUNTING**

**DATE: Thursday 28<sup>th</sup> July 2022**

**TIME: 2-5pm**

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**INSTRUCTIONS TO CANDIDATES**

Question ONE (1) is compulsory  
Answer FOUR (4) questions

TIME: 3 Hours

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over. ►

**QUESTION ONE**

- (a) Briefly explain medium term expenditure framework for Budgeting(MTEF) (4 marks)
- (b) Identifying the most commonly used method, state and explain four methods that may be used by the government in budget formulation. (7 marks)
- (c) Explain what constitutes total public debt. What is debt sustainability analysis and what benefits does it transfer to the government? (12 marks)
- (d) What actions can the state take to reduce accumulation of debt (7 marks)

**QUESTION TWO**

An accounts assistant of a government body has prepared a list of balances as at 31 December 2018:

	Ksh.000
Property taxes	3765313
Public contributions and donations	50928
Fines penalties and levies	142533
Transfer from the government	3006268
Proceeds from sale of machinery	360,000
Rendering of services	1794610
Sale of water and electricity	7895410
Rental revenue from facilities	231789
Other income	265210
Finance income from investments	271360
Employee costs	560000
Remuneration of councilors	80,000
Repairs and maintenance	1760,000
Grants and subsidies	280,000
Bulk purchase of water and electricity	4560000
Other expenses	2460000
Finance costs	168160

The following information is also available:

- (i) The agency classifies its receipts into taxation, external assistance, other grants and aid, other borrowings, capital receipts, trading activities and other receipts.
- (ii) The agency's expenses are categorized into operations, transfers, capital expenditure, loan and interest payments and other payments.
- (iii) The agency's cash balance on 1 January 2018 was Ksh. 4,105,480.
- (iv) The agency applies cash basis accounting in line with government requirements.

**Required**

- (a) Explain the difference between cash basis of accounting and accrual basis of accounting  
(6 marks)
- (b) Prepare a statement of cash receipts and payments for the agency for the year ended 31 December 2018  
(14 marks)

**QUESTION THREE**

- (a) State and briefly explain the budgetary principles that are applied in public sector budgetary control.  
(12 marks)
- (b) How does the devolved control of public expenditure undermine any of the budgetary principles listed in (a) above.  
(8 marks)

**QUESTION FOUR**

The essence of performance measurement is to succinctly answer the question as to whether the performance was effective and efficient or surpassed the target or not. In public sector accounting income statement does not appear to at-least in full provide answers to this question. Briefly, in outline form, discuss this matter stating clearly (i) the status of performance measurement (ii) the gaps in performance measurement, (iii) proposals on how the gaps may be filled. (20 marks)