



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

MAIN /BUNGOMA /WEBUYE CAMPUS

**UNIVERSITY EXAMINATIONS
2022/2023 ACADEMIC YEAR**

THIRD YEAR SEMESTER ONE EXAMINATIONS

**FOR THE DEGREE
OF
BACHELOR OF COMMERCE/BSC ACCOUNTING**

COURSE CODE: BCA 346

COURSE TITLE: PUBLIC SECTOR ACCOUNTING

DATE: Wednesday 14th December 2022

TIME: 2.00pm-4.00pm

INSTRUCTIONS TO CANDIDATES

Attempt **QUESTION ONE** and any other **TWO** questions

TIME: 2 Hours

MMUST observes **ZERO** tolerance to examination cheating

This Paper Consists of 4 Printed Pages. Please Turn Over. ►

QUESTION ONE (30 MARKS)

- a) Currently, there is a push to have the government adopt accrual accounting system as opposed to the cash based system. Explain the benefits for each of the two systems [6 Marks]
- b) State four examples of consolidated fund services [4 Marks]
- c) Explain three functions of the parliamentary Public Investments Committee [3 Marks]
- d) Explain the purpose of public sector accounting [5 Marks]
- e) Explain what PFM Act stipulates about the accounting for public debt and grants [4 Marks]
- f) The following are extracts from the trial balance for revenue head No. 180 – 240, Airport revenue collection for the year ended 30th June 2019:

Code	Details	Dr Shs	Cr Shs
630	Renting building and equipment		807 456
631	Rent from land		3 796 205
651	Aviation landing fees		3 542 221
652	Airport passenger tax		3 991 029
670	Other airport receipts		798 144
	Payment of revenue to exchequer	13 288 687	

The following additional details are made available:

- 1) Balance in hand at 30th June 2018 was Shs 2,568,242.
- 2) Estimated receipts for the year:

CODE	AMOUNT Shs
630	1 000 000
631	2 500 000
651	3 000 000
652	3 600 000
670	1 100 000

Required:

- i. A statement of revenue for the year ended 30th June 2019 [6 Marks]
- ii. Give appropriate footnotes for material differences between estimates and the actual receipts [2 Marks]

QUESTION TWO (20 MARKS)

- a) The following is an appropriation account for a governmental unit.

Appropriation account for the year ended 30th June 2021 (ksh “000”)

Details	Approved estimate		Actual expenditure	Amount under-spent	Amount overspent
Personal emoluments:					
- Original estimate	80 000				
- Supplementary	8 000	88 000	90 000		2 000
House allowance		15 000	13 000	2 000	
Passage and leave		5 000	4 500	500	
Travelling expenses:					
- Original estimate	22 000				
- Supplementary estimate	(2 000)	20 000	23 000		3 000
Electricity and water		6 000	6 500		500
Purchase of plant & machinery		50 000	40 000	10 000	
Gross appropriation		184 000	177 000	12 500	5 500
Appropriation in aid		(15 000)	(12 000)		
		169 000	165 000		

Net appropriation					
-------------------	--	--	--	--	--

Required: Prepare the following accounts:

- i. General Account of vote [3 Marks]
 - ii. Exchequer account [3 Marks]
 - iii. Paymaster general account [3 Marks]
 - iv. Appropriations in Aid account [2 Marks]
 - v. Statement of assets and liabilities as at 30 June 2021 [3Marks]
- b) The PFM Act provides for three ways in which a parliament approved budget could be adjusted to respond to unexpected circumstances. Explain [6 Marks]

QUESTION THREE (20 MARKS)

Nakuru City fiscal period ends on 30th June. The trial balance of the general fund as on 1 July 2020 was as follows:

	Dr	Cr
Cash balance	50 200	
Savings a/c	152 800	
Land rates receivable	577 000	
Accounts payable		61 500
Wages payable		27 500
Fund balance		691 000
	<u>780 000</u>	<u>780 000</u>

The operations for the year ended 30th June 2021 are summarized as follows:

- 1) Estimated revenues: Sh 3 100 000; Appropriations: Sh 2 850 000
- 2) Revenues from land rates: Sh 2 205 000
- 3) Cash received from property taxes: Sh 2 410 000 ; and other revenues: Sh 502 600
- 4) Expenditures encumbered and evidenced by purchase orders: Sh 1 930 000
- 5) Liquidation of encumbrances and vouchers prepared for purchase order billings: Sh 1 807 000
- 6) Expenditure for payroll Sh 645 000
- 7) Cash disbursed for vouchers: Sh 1 540 000
 - Cash for payment of wages: Sh 605 700
 - Cash transferred to savings A/C: Sh 182 000

Required:

- a) Open the ordinary 'T' accounts for the accounts appearing in the trial balance and enter the balances as at 1 July 2020 [4 Marks]
- b) Open 'T' accounts for:
 - i. Fund balance reserves for encumbrances [2 mark]
 - ii. Estimated revenues [2 marks]
 - iii. Revenues [2 marks]
 - iv. Appropriations [2 marks]
 - v. Expenditure [2 marks]
 - vi. Encumbrances [2 marks]
- c) Prepare a balance sheet as at 30th June 2021 [4 Marks]

QUESTION FOUR (20 MARKS)

- a) Explain the importance of the International Public sector accounting standards [6 marks]
- b) Write short notes on the following:
 - i. Integrated Financial Management Information System (IFMIS) [2 Marks]
 - ii. Commitment accounting system [2Marks]
 - iii. Treasury circulars [2Marks]
 - iv. Budget Policy statement [BPS] [2Mark]

- c) The following information relates to the State Department for Higher Education:

Vote head – State Department for Higher Education
A I E (Authority to incur expenditure) No. 107 – 23.
A I E (Authority to incur expenditure) Ksh 44 000 000)

Transactions (September 2021)

- 11th September Ordered for stationery from Upesi Supplies for Sh.14 000 000; L.P.O. No. 8772
- 21st September paid Sh 1 200 000 towards cleaning services, PV No. 401
- 30th September procured office meals services from Tamu Hotels for Sh 4 300 000 for the whole year; L.P.O No. 8773

Transactions (October 2021)

- 5th October paid Tamu Hotels, Sh 2 150 000 being part payment for the catering services procured through LPO No. 8773; PV No. 402
- 14th October, part payment to Upesi Supplies of Sh 5 400 000; PV No. 403
- 21st Issued LPO No. 8774 to Ufundi Construction Ltd for office repair works for Sh 287 000
- 25th October, Purchased furniture from Maridadi Decor Ltd for Sh 3 400 000; PV No. 404

Required: Prepare a vote book and give an explanation about the vote balance on 25th October, 2021 [6 Marks]