

## SECTION A

Answer both Questions 1 and 2 in this section.

### Question 1

The following information was extracted from the financial records of Guru Central Hospital regarding transactions for the quarter ended 30 September 2017:

1. At the beginning of the quarter the hospital had \$2 000 in its bank account.
2. Salaries and wages:
  - Amount paid \$400 000
  - Staff advances recovered during the quarter \$6 000.
3. Staff advances paid during the quarter \$20 000.
4. Repairs and maintenance of equipment for the quarter was \$10 000. Out of this amount, one contractor for \$4 000, incurred in August 2017, gave the hospital credit on the following terms: 50% payable during the month incurred and 25% of the amount incurred per month for the balance.
5. During June 2017, the hospital bought three ambulances from a motor vehicle dealer for \$60 000, payable at one-third per month, starting from the month of purchase. Two ambulances were delivered during the month of purchase, while the third was delivered the following month. The ambulances have a useful life of five years.
6. The hospital ordered 1 000 plastic chairs at a cost of \$15 000 in April 2017, payable at one-third per month, starting from the month of delivery. The chairs were delivered during May 2017.
7. Medical equipment worth \$10 000 was ordered and paid for in August 2017, but delivery took place in October 2017.
8. Depreciation on non-current assets for the quarter was \$19 000.
9. The hospital used stationery as follows: May 2017 \$900, June 2017 \$750, July 2017 \$850, August 2017 \$550, September 2017 \$800 and October 2017 \$600 (projected). The hospital gets all its stationery on 30 day credit terms. Assume the hospital orders stationery as required.
10. The hospital used fuel as follows: May 2017 \$9 500, June 2017 \$7 500, July 2017 \$8 500, August 2017 \$7 500, September 2017 \$8 000, October 2017 \$7 500 (projected). The hospital has an arrangement with one of the service stations whereby fuel drawn in one calendar month is paid for in the following month.
11. Assume that where credit is provided, the hospital meets the credit terms.
12. The hospital had the following sources of income during 2017:

	June	July	August	September
	\$	\$	\$	\$
Government funding	155 000	150 000	164 000	160 000
Donor funds (excluding WHO)	14 000	15 000	12 000	13 000

13. The World Health Organization (WHO) had committed to assist the hospital with an amount of \$10 000 per month for nine months, from April 2017 to 31



December 2017. Due to some logistical problems, the money for September 2017

00 from Barclays Bank to  
0 June 2021. The interest

and the hospital had the

\$  
3 000  
2 000  
1 800  
2 400  
2 000  
2 300

lients: 50% is paid in the  
Assume the clients always

cash receipts and  
ial year-end of the hospital  
[25 marks]

records of Runde State

Dr	Cr
\$	\$
	129 200
	100 800
	25 500
	140 000
142 480	
71 200	
23 000	
33 000	
300 600	
49 000	
71 560	
	150 300
	22 050
9 900	

and October 2017 was received on 2 October 2017.

14. On 1 July 2016, the hospital negotiated a loan of \$50 000 to finance one of its projects. The loan will be repaid on 31 December 2017 at a rate of 8% per annum, payable quarterly in arrears.
15. One of the wards is for patients who pay for services and the following income from the ward:

May 2017  
June 2017  
July 2017  
August 2017  
September 2017  
October 2017 (projected)

The hospital provides the following credit terms to its clients: 50% of the amount due is paid in the month incurred, and the balance the following month. Assume all clients meet the terms.

### Required:

Using the cash basis IPSAS, prepare the hospital's statement of financial position for the quarter ended 30 September 2017. The financial year ends on 31 December.

### Question 2

The following trial balance was extracted from the accounting records of the University:

Funding council grants
Academic fees and support grants
Research grants and contracts
Long-term loans
Salaries and wages
Operating expenses
Research and development costs (note 1)
Land – at revaluation
Buildings – at revaluation
Other tangible assets at cost
Investments
Accumulated depreciation on buildings at 1 January 2016
Acc. depreciation on other tangible assets 1 January 2016
Loan interest paid



Trade receivables	13 196	
Trade payables		83 850
Retained surplus at 1 January 2016		72 344
Revaluation reserve		67 700
Bank	54 808	
Short-term investments	22 500	
Inventory at 31 December 2016	<u>500</u>	<u>-----</u>
	<u>791 744</u>	<u>791 744</u>

**Additional information:**

1. The research and development costs of \$23 000 included in the trial balance are made up of the following items:
  - Project 1: \$5 000 was spent on applied medical research. It is hoped that this will ultimately lead to development of a new vaccine.
  - Project 2: \$8 000 was spent on the development of a new synthetic material. The university intends to sell the technology and patent to a commercial company within the next 12 to 18 months.



## SECTION B

Answer any two (2) questions from this question.

### Question 3

(a) The town clerk of Rwizi City Council questions the recognition and disclosure of a finance lease entered into for equipment to the value of \$50 000, which is used in the city's Works Department. He is of the opinion that it is unnecessary to capitalize the equipment and the corresponding loan. The town clerk is also of the opinion that too much information would be disclosed.

#### Required:

Explain to the town clerk, by only referring to the recognition criteria of the conceptual framework for general purpose financial reporting (GPFR) by public sector entities, why the finance lease should be capitalized and disclosed as such. [20 marks]

(b) Outline any five (5) objectives of public sector accounting. [5 marks]

### Question 4

(a) Outline the five (5) characteristics of a Government Business Enterprise (GBE). Hence, identify the accounting framework that a GBE uses in the preparation and presentation of general purpose financial reports (GPFRs), and give the reason why. [12 marks]

(b) With the aid of the spending decision model, distinguish among the three (3) major bases of public sector accounting. [13 marks]

### Question 5

Discuss the features of a good public sector accounting system identified in the United Nations Manual. [25 marks]

END OF PAPER