



COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND GOVERNANCE

COURSE TITLE: MPM 218 PUBLIC SECTOR ACCOUNTING

**END OF SEMESTER EXAMINATIONS
AUGUST - NOVEMBER 2018**

LECTURER: (MR KAZOMBA.S)

DURATION: (3 HRS)

INSTRUCTIONS

Answer **ALL** Questions from this paper

Start **each** question on a new page in your answer Booklet.

The marks allocated to **each** question are shown at the end of the question.

Show all your workings.

Credit will be awarded for logical, systematic and neat presentations.

QUESTION ONE**(25 Marks)**

The Trial Balance was extracted from the books of Kwekwe Municipality as at 31st December 2016.

	Debit	Credit
	US \$	US \$
Property rate		450,000
Basic rates		200,000
Special rates		50,000
Lorry park fees		40,000
Marriage and divorce registration		10,000
Building permits		110,000
Penalties		80,000
Market toll		620,000
Share of District Assembly Common Fund		980,000
District Development Facility		350,000
Compensation for employees		1,000,000
Herbalist licenses		20,000
Hawkers licenses		15,000
Other licenses		12,000
Royalties		50,000
Share of stool land revenue		150,000
Market Store rent		70,000
Other rentals		40,000
Interest on investment		10,000
Gains from business		30,000
Established post	1,080,000	
Non established post	700,000	
Goods and services	950,000	
Interest expense	20,000	
Social benefits	180,000	
Other expenditure	260,000	
Bank and Cash	40,000	
Advances and loans	80,000	
Investment	100,000	
Property, Plant and equipment	1,200,000	
Sundry payables		60,000
Short term loans		120,000
Deposits		100,000
Accumulated Fund		43,000
	<u>4,610,000</u>	<u>4,610,000</u>

Additional information:

- i) Consumption of fixed capital for the year is computed as \$260,000

Required:

a) Prepare:

- i) A Statement of Financial Performance for the year ended 31st December 2016;
- ii) A Statement of Financial Position as at 31st December, 2016.

(Please show all workings clearly).

(20 marks)

b) Why should non-current assets be managed? **(5 marks)**

QUESTION TWO

(25 Marks)

a) You have received an official email from your Director which reads:

“Hello Accountant,

Hope you are doing well. We have closed from a workshop organised by the Accountant General’s Department on public financial management not long ago and the discussion was all about adoption of accrual accounting in the public sector. It was emphasised that migration from cash basis to accrual basis is necessary to improve financial reporting and transparency in the public sector. You know I have little knowledge in Accountancy so I was completely lost in the discussions and I wished you had attended the workshop with me.

Another issue discussed was commitment accounting. We were made to understand that commitment accounting strengthens public financial management and therefore departments must ensure that every expenditure is committed in accordance with the appropriation prior to spending.

Please could you help me with some information on these issues?

Thank you,

Director.

Required:

i) Explain to the Director **three** differences between accrual accounting and cash accounting. **(3 marks)**

ii) Identify **three** justifications for adopting accrual accounting in the public sector. **(3 marks)**

iii) Explain the term **commitment accounting** and illustrate how it could strengthen public financial management. **(4 marks)**

- b) Identify **five** characteristics of a government business enterprise (GBE) in accordance with IPSAS 1, Presentation of Financial Statements. **(5 marks)**
- c) Explain any **five** purposes of public expenditure. **(10 marks)**

QUESTION THREE

(25 Marks)

- a) IPSAS 2: Cash Flow Statements. An entity presents its cash flows in three categories. Give the **three** categories of cash flows. **(3 marks)**
- b) Briefly write about:
- i) Proprietary fund **(4 marks)**
 - ii) Fiduciary Fund **(4 marks)**
 - iii) Capital projects fund **(4 marks)**
- c) Distinguish between public and private sector accounting. **(10 marks)**

QUESTION FOUR

(25 Marks)

- a) In public sector accounting, assets and liabilities are measured using various bases. State any **four**-measurement bases. **(4 marks)**
- b) Identify any **three** statutes or laws that form part of the legal regulatory framework for public sector accounting in Zimbabwe. **(3 marks)**
- c) Dabuka a government business enterprise has the following non-current assets:
1. Ten office tables, brand mukwa Xv 5, purchased on 10/2/17 from Teecherz Furniture, for \$10000, invoice number 8000053129; and are in the main boardroom.
 2. Five HP LEI901w laptops, purchased 5/10/18 from Computer World for \$ 12000, receipt number 55201, serial numbers Zx 23, Xv 34, Vn 67, Df 45, Km 87, currently in the accountant's office

Required.

Draw up the asset register for Dabuka **(15 marks)**

- d) Identify any **three** uses of public sector accounting information. **(3 marks)**

END OF PAPER