



"Investing in Africa's Future"

**COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND
GOVERNANCE**

**COURSE CODE AND TITLE: MPM 208 PUBLIC SECTOR ACCOUNTING 2
END OF SECOND SEMESTER EXAMINATIONS CONVENTIONAL**

APRIL/MAY 2017

LECTURER: MR. S CHUCHU

DURATION: 3 HRS

INSTRUCTIONS

Answer Question 1 in Section A and any other four questions in Section B

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 given for logical, systematic and neat presentations.

SECTION A

Answer Question 1.

Question 1

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

	Dr	Cr
	\$	\$
Funding council grants		64 600
Academic fees and support grants		50 400
Research grants and contracts		12 750
Long-term loans		70 000
Salaries and wages	71 240	
Operating expenses	35 600	
Research and development costs (note 1)	11 500	
Land – at revaluation	16 500	
Buildings – at revaluation	150 300	
Other tangible assets at cost	24 500	
Investments	35 780	
Accumulated depreciation on buildings at 1 January 2016		75 150
Acc. depreciation on other tangible assets 1 January 2016		11 025
Loan interest paid	4 950	
Trade receivables	6 598	
Trade payables		41 925
Retained surplus at 1 January 2016		36 172
Revaluation reserve		33 850
Bank	27 404	
Short-term investments	11 250	
Inventory at 31 December 2016	<u>250</u>	<u>-----</u>
	<u>395 872</u>	<u>395 872</u>

Additional information:

1. The research and development costs of \$11 500 included in the trial balance are made up of the following items:
 - Project 1: \$2 500 was spent on applied medical research. It is hoped that this will ultimately lead to development of a new vaccine.
 - Project 2: \$4 000 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.
 - Project 3: \$5 000 was spent on developing a new type of scanner. While the university considers this project to be technically feasible and is aiming to complete the project, the project is no longer a priority of the national government and at 31 December 2016 no funding had been

identified to continue this project in 2017. However, on 15 January 2017, a loan was obtained from a commercial organization, which means that the project can be completed and the scanner sold commercially.

- The costs to complete all three projects have been reliably estimated by the university.
2. Buildings are depreciated on the straight-line basis over 40 years and other tangible assets are depreciated at 25% per annum on the reducing balance basis.
 3. The research grants and contracts of \$12 750 included in the trial balance are to fund the three projects referred to in note 1 above. It is the policy of the university to recognize income on the basis of percentage completion of the project:

	Income included in trial balance	Percentage of project completed
	\$	%
Project 1	3 000	80
Project 2	4 200	96
Project 3	<u>5 550</u>	90
	<u>12 750</u>	

Required:

Prepare the statement of financial performance for the university for the year ended 31 December 2016. **[20 marks]**

SECTION B

Answer any four (4) questions from this question.

Question 2

Outline any ten (10) objectives of public sector accounting. **[20 marks]**

Question 3

Discuss the features of a good public sector accounting system identified in the United Nations Manual. **[20 marks]**

Question 4

With the aid of the spending decision model, distinguish among the three (3) major bases of public sector accounting. **[20 marks]**

Question 5

Discuss any four (4) qualitative characteristics of useful information identified by the conceptual framework for general purpose financial reporting by public sector entities. **[20 marks]**

Question 6

Discuss the form and content of accrual basis general purpose financial reports as prescribed by International Public Sector Accounting Standards **[20 marks]**

END OF PAPER