



"Investing in Africa's Future"

COLLEGE OF BUSINESS PEACE LEADERSHIP & GOVERNANCE

NMPM 208: PUBLIC SECTOR ACCOUNTING

END OF SECOND SEMESTER EXAMINATIONS

MAY 2021

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TIME: 7 HOURS

INSTRUCTIONS

Answer **ONE** question

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

Show all your workings where it is required.

Credit will be given for presentations that are neat, logical and grammatically well constructed.

QUESTION 1 (60 MARKS)

PART A (30 MARKS)

(a)

(i) Describe the financial reports which should be prepared by public sector entities in Zimbabwe in accordance with the Public Finance Management Act. **(10 marks)**

(ii) Discuss the major components of financial statements prepared under the Cash Basis International Public Sector Accounting Standards (IPSAS) and assess their usefulness. **(10 marks)**

(iii) Discuss the stores control processes and documents used by public sector entities in Zimbabwe and assess their adequacy in minimising stock losses. **(10 marks)**

PART B (30 MARKS)

You have been offered internship in the Ministry of Finance and as part of your orientation you have been asked to analyse the information given below in the Trial Balance of the Consolidated Fund for the year ended 31 December, 2020.

	Debit (Dr)	Credit (Cr)
	ZWL\$billion	ZWL\$billion
Salaries: Ministry of Agriculture	12,000	
Salaries: Ministry of Finance & Economic Development	4,000	
Salaries: Presidential Affairs	400	
Administrative Expenses	6,000	
Workshops & Conferences Expenses	2,000	
Overseas Travel Expenses	3,000	
National Social Security Benefits	4,000	
Interest on Debt: Domestic	5,000	
Interest on Debt: Foreign	6,500	
Purchase of Range Rover Vehicles	500	
Purchase of Office Equipment	800	
National Infrastructural Development	1,000	

Cash & Cash Equivalents	5,000	
Pay As You Earn		14,000
Corporate Tax		10,000
Value Added Tax		4,000
Fines		300
Fees		600
Fuel Levy		2,000
Grant		800
Treasury Bills		22,000
Bonds		26,000
SADC Bonds		14,000
Bilateral Debt		30,000
Other Expenditure	2,000	
Accumulated Fund	71,500	
	123,700	123,700

Additional information:

1. The Government of Zimbabwe uses the Chart of Accounts based on the Government Financial Statistics 2014 to classify revenues and expenditure.
2. Value Added Tax (VAT) of ZWL\$100 billion was due to Government but was not received by Government as at 31 December, 2020.
3. The grant was received by the Government of Zimbabwe from a Government of Germany for facilitate water and sanitation services throughout the country.

Required:

Using the information from the Trial Balance prepare a Statement of Financial Performance for the Consolidated Fund for the year ended 31 December 2020.
(30 marks)

QUESTION 2 (60 MARKS)

PART A (20 MARKS)

(a)

The Cash Book of Kadoma City Council has a credit balance of ZWL\$210,000 on 31 March, 2020. The Municipality Current Bank Statement from the Commercial Bank of Zimbabwe (CBZ) showed a debit balance of ZWL\$564,000. An investigation into the difference in figures reveals the following information:

The bank had paid ZWL\$400,000 on 29 March by way of standing order. A cheque for ZWL\$1,037,000 sent to a supplier on 30 March was not paid by the bank until 6 April, 2020.

A cheque valued at ZWL\$1,680, 000, paid into bank on 28 March 2020 was not credited until 3 April 2020.

On 20 March, a cheque for ZWL\$114,000 received from a client for business licenses was posted in the Cash Book as ZWL\$714,000. ZWL\$1,300,000 withdrawn from an investment account had been shown in the Cash Book as withdrawal from the Municipality Current Bank Account.

Bank Charges of ZWL\$11,000 shown in the bank statement had not been entered in the Cash Book.

Required:

(i) Prepare Adjusted Cash Book for the month of March 2020.

(7 marks)

(ii) Prepare a Bank Reconciliation Statement for the month of March 2020.

(6 marks)

(iii) Explain why it is essential for Kadoma City Council to periodically prepare bank reconciliation statements.

(7 marks)

PART B (20 MARKS)

Econet Wireless Zimbabwe Ltd specializes in mobile telecommunication services. The majority shareholder, who controls the company is Strive T. Masiyiwa while other minority shareholders include; Old Mutual Investment Group (Pty) and Douglas Mboweni among others.

On the other hand, the Ministry of Energy and Power Development is a government ministry in Zimbabwe that is fully controlled and operated by the government of Zimbabwe. Its mission is to ensure the provision of adequate and sustainable energy through formulating and implementing effective Policies and Regulatory Frameworks.

Required:

Outline the characteristics and objectives of budgeting and budgetary control in the Ministry of Energy and Power Development and contrast them with those in Econet Wireless Zimbabwe Ltd. **(20 marks)**

PART C (20 MARKS)

Differentiate between the cash basis of accounting and accrual basis of accounting and justify the basis you think is most appropriate to the Zimbabwean Government Ministries. **(20 marks)**

QUESTION 3 (60 MARKS)

PART A (40 MARKS)

(a)

‘Although Zero-based budgeting is considered to be more efficient in the public sector, incremental (line item) budgeting is more popular’. Explain this paradox. **(20 marks)**

(b)

(i)

Assume that Changara Municipality incurred ZWL\$5 million in salaries and wages during the 2019 year. The Municipality is now preparing the budget for the year 2020. The Human Resources Department plans to employ 10 more people in the year 2020 who will be paid ZWL\$100,000 per annum each (before any increment). Management has also indicated that it intends to give both existing and new employees a 10% salary increment in the year 2020.

Required:

Determine the figure to be included in the 2020 budget of Changara Municipality in respect of Salaries & Wages. Assume that a line item (incremental approach) is being used. **(10 marks)**

(ii) Explain how a Zero-Based Budgeting (ZBB) approach would differ from the line item (incremental) approach above in determining the amount for Salaries and Wages to be included in the 2020 Budget for Changara Municipality. **(10 marks)**

PART C (20 MARKS)

(i) Discuss the role of the International Public Sector Accounting Standards Board (IPSASB) and how the board is set up.

(10 marks)

(ii)

Briefly explain how the Ministry of Finance and Economic Development in Zimbabwe ensures that only budgeted and approved expenditure is incurred and paid for by Government Ministries, Departments and Agencies.

(10 marks)

END OF EXAMINATION
