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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2019/2020 ACADEMIC YEAR
FOURTH YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 11th April, 2019
Time: 8.30 – 10.30am

KAC 406: PUBLIC SECTOR ACCOUNTING

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) The approved Estimates and Actual Expenditure details for vote E45 of ministry of health for the financial year 2017/2018 were as follows:

	Approved Estimates Sh.'000'	Actual Expenditure Sh.'000'
000 Personal Emoluments	246,560	195,040
050 House allowances	39,100	28,520
080 Passages and Leave Expenses	8,280	1,334
100 Transport Operating Expenses	32,200	27,186
110 Traveling and Accommodation Expenses	2,668	3,312
120 Postal and Telegram Expenses	9,200	6,624
190 Miscellaneous other Charges	34,960	33,764
196 Training Expenses	11,960	13,476
230 Purchase of Equipment	42,000	17,600
620 Appropriations - in -Aid	2,000	11,120 (Realised)

The Ministry made four equal withdraws from the Exchequer in July 2017, October 2017, January 2018 and May 2018. In total the Ministry had withdrawn Sh.400, 000,000 by the end of the 2017/2018 financial year.

Supplementary estimates authorised during the year were as follows:

	Sh.'000'
000 Personal Emoluments	12,000 (reduction)
196 Training Expenses	2,000 (increase)
620 Appropriations -In-Aid	8,000 (increase)

Required:

- i) Appropriation account for the year ended 30th June 2018 (6 marks)
- ii) General Account of vote for the year ended 30th June 2018. (4 marks)
- iii) Exchequer Account for the year ended 30th June 2018 (4 marks)
- iv) Paymaster General (PMG) account for the year ended 30th June 2018. (2 marks)
- v) Statement of assets and liabilities as at 30th June 2018. (4 marks)
- b) In the context of accounting and financial reporting for the public sector define the term “fund” (2 marks)
- c) With reference to public sector accounting, briefly explain the following terms:
 - i) General fund. (2 marks)
 - ii) Annual estimates (2 marks)
 - iii) Excess vote (2 marks)
 - iv) Encumbrance (2 marks)

QUESTION TWO (20 MARKS)

- a) Distinguish between Commitment Accounting and Fund Accounting in relation to Public Sector Accounting. (8 marks)
- b) The Appropriation Account of the Government of the Republic of Kenya for 2016/2017 presented to Parliament in January 2018 included the following accounts for the Provincial Hospitals managed by the Ministry of Health.

Estimated 2017/2018

	Expenditure	Income	Expenditure
Current Expenditure/Income	25,401,000	880,000	24,521,000
Other direct costs	357,000	-	357,000
Capital Expenditure	<u>1,012,000</u>	<u>-</u>	<u>1,012,000</u>
	<u>26,770,000</u>	<u>25,890,000</u>	

Actual 2017/2018

	Gross Expenditure	Income	Net Expenditure
Current Expenditure/Income	26, 593,145	920,951	25,672,194
Other direct costs	334,692	-	334,692
Capital Expenditure	<u>1,082,683</u>	<u>-</u>	<u>1,012,000</u>
	<u>28,010,520</u>	<u>920,951</u>	<u>27,089,569</u>

These accounts were audited by the Controller and Auditor General who issued a clean certificate of findings.

Required

Discuss the usefulness of these published accounts from the point of view of:

- i) A Member of Parliament. (3 marks)
- ii) A taxpayer. (3 marks)
- iii) A patient of one of the hospitals. (3 marks)
- iv) A creditor to one of the hospitals. (3 marks)

QUESTION THREE (20 MARKS)

- a) As a public sector accounting student and based on chapter 12 of the Kenyan Constitution 2010 outline the role played by:
- i) The Public Accounts Committee (4 Marks)
 - ii) The controller of Budget (4 marks)
 - iii) The Auditor General (4 Marks)
- b) List three arguments for and against the accrual basis of accounting in the public sector. (8 Marks)

QUESTION FOUR (20 MARKS)

The following balances were extracted from the books of Widows and Orphans Fund for the year ended 30th April 2018:

	Sh.
Payments to widows and orphans	2,910,000
Refund to bachelors	150,000
Management expenses	70,000
Members contributions	2,012,000
Interest on investments	6,000,000
Provision for exchange losses on foreign investments (30 th April 2017)	2,000,000
Investment account	80,000,000
Employers contributions	40,000
Fund account 30 th April 2017	76,000,000

	Sh.	Sh.
Cash		
J.M. Fund	1,000,000	
C.S.F. Corporation	1,600,000	
P.M.G	<u>322,000</u>	2,922,000

The following information is also available:

1. A sum of Sh.80, 000 was due to be paid to Widows and Orphans, but claims were not received until May 2018.
2. Interest on investments amounting to Sh.800, 000 was to be paid to the fund in March 2018, but the cheque was not received until May the same year.
3. The employer contributions for the year should not be less than 3% of the total members' contribution for the year.
4. Thirty members of the Fund were late in paying the contribution for the year ended 30 April 2018 amounting to Sh.3, 000 each.
5. Provision in case of loss on foreign investments should be adjusted to Sh.1, 600,000

Required:

- i) Income and expenditure account for the year ended 30th April 2018. (10 marks)
- ii) A Statement of Financial Position as at 30th April 2018. (10 marks)

QUESTION FIVE (20 MARKS)

The data given below is an extract of actual results and budgeted of consolidated fund for Kenya Government for the year ended 30th June 2018

Revenue	Budgeted “Millions”	Actual “Millions”
Direct Tax	326,040	261,115
Indirect Tax	354,676	324,889
Grants	104,872	14,005
Other Revenue	86,803	25,464
Total Revenue	872,391	535,523
Expenditure		
Compensation of employees	376,166	336,946
Use of goods and services	72,600	48,920
Interest	133,097	206,622
Social Benefits	3,232	-
Other Expenses	74,904	38,125
Consumption of Fixed Capital	81,600	1,250
Total Expenditure	740,599	631,863

Required

- i) Calculate the excess or surplus of revenue over the expenditure (10 marks)
- ii) For each account explain what might have caused the differences between the actual and budgeted amounts. (10 marks)