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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: 6th December, 2019

Time: 2.30pm – 4.30pm

KAC 406 - PUBLIC SECTOR ACCOUNTING

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

The approved estimate and actual expenditure details of the ministry of livestock development 2018/2019 were as follows:

		Approved Estimates Ksh '000'	Actual Expenditure Ksh '000'
000	Personal emoluments	123,280	97,520
050	House allowances	19,550	14,260
080	Passages and leave	4,140	667
100	Transport maintenance	16,100	13,593
110	Traveling and accommodation	1,334	1,656
120	Postal and telecommunication expenses	4,600	3,312
190	Miscellaneous charges	17,480	16,882
196	Training expenses	5,980	4,738
230	Purchase of equipment	21,000	39,800
620	Appropriation-in-aid	1,000	5,560 (realized)

The Ministry made four equal withdrawals from Exchequer in July 2018 October 2018, January 2019 and May 2019. In total the Ministry had withdrawn Ksh.200 million by the end of the year.

Required:

- a) Prepare the following Accounts
 - i) Appropriation Account (6 Marks)
 - ii) General Account of Vote (G.A.V) (5 Marks)
 - iii) The Exchequer Account (4 Marks)
 - iv) The Paymaster-General (P.M.G) (3 Marks)
- b) A Statement of Assets and Liabilities at 30th June 2019. (4 Marks)

Explain briefly the meaning of the terms listed below in relation to Government accounting:

- i) The Exchequer account (2 Marks)
- ii) The General account of Vote (2 Marks)
- iii) The Paymaster General (2 Marks)
- iv) Appropriations in Aid. (2 Marks)

QUESTION TWO (20 MARKS)

- a. With specific reference to government sector accounting, briefly explain the following concepts:
 - i) Budgetary accounting; (4 Marks)
 - ii) Cash accounting; (3 Marks)
 - iii) Commitment accounting; (4 Marks)
 - iv) Fund accounting. (3 Marks)
- b. List three arguments for and against the accrual basis of accounting in the public sector. (6 Marks)

QUESTION THREE (20 MARKS)

- a) In the context of accounting and financial reporting for the public sector define the term “fund” (3 Marks)
- b) Write explanatory note son the specific funds falling under each of the categories listed below:
 - i) Governmental funds; (2 Marks)
 - ii) Proprietary funds; (2 Marks)
 - iii) Fiduciary funds. (2 Marks)

- c) The following cash transactions (cash) took place for a government unit for the month of October 2019

		Sh.
02/10/2019	Opening balance: Cash	4,000
	Bank	25,000
02/10/2019	Received cheque in respect of trading license	62,500
03/10/2019	Paid Peter and Sons (cheque for goods supplied)	20,000
05/10/2019	Cash received in respect of fees	2,500
05/10/2019	Paid telephone charges (cheque)	8,700
06/10/2019	Paid AB Ltd by cheque	52,000
06/10/2019	Paid cash to James Burton	2,800
08/10/2019	Received cheque for Licenses	210,000
09/10/2019	Paid wages in cash	5,000
10/10/2019	Kept a cash balance 10,000 and banked rest together with all cheques in hand.	

Required: Prepare a cashbook for the governmental unit. (11 Marks)

QUESTION FOUR (20 MARKS)

- a) Discuss the role and functions of the Treasury and its relationship with other Government department, in planning and controlling government expenditure. (8 Marks)
- b) Explain the main functions of an annual Budget for a public sector organisation with which you are familiar. The independence of Internal Audit in a public sector organisation is considered to be essential to its effectiveness. (6 Marks)
- c) Explain what is meant by independence in this context and give examples of circumstances, which might impair independence. (6 Marks)

QUESTION FIVE (20 MARKS)

- a) In accounting for Central Government and County Government units, a fund called Capital Project Fund is usually created. What is the purpose of this fund? (5 Marks)
- b) The County Government of Makueni authorises the construction of a new town hall on 1 January 2019. This hall is expected to cost sh.100, 000,000. Financing for the project is to be Sh50,000,000 from 6½ per cent serial bond issue, Sh.40,000,000 from a Government Grant, and Sh.10,000,000 from the general fund (GF). Transactions and events during 2019 are as follows:
- i) The city transfers Sh.10, 000,000 from the GF to the Town Hall Capital Project Fund (a CPF created for the construction).
 - ii) Planning and architect's fees are paid in the amount of Sh.4, 000,000.
 - iii) The contract is awarded to the lowest bidder for Sh.95, 000,000.
 - iv) The bonds are sold for Sh.50, 200,000.
 - v) The amount of the premium is transferred to the debt service fund.
 - vi) The construction is certified to be 50 percent complete and a bill for Sh.47, 500,000 is received from the contractor.
 - vii) Contracts payable, less a 10 percent retained percentage, is paid.
 - viii) The books are closed and financial statements are prepared.

Required:

- i) Journal entries to record the above transactions. (10 Marks)
- ii) Financial statement of the capital project fund for the year 2019. (5 Marks)