

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTANCY

 **OCT 2023**

PUBLIC SECTOR ACCOUNTING AND FINANCE 1 (AC114/209)
EXAMINATION PAPER

PROGRAMME

Bachelor of Accountancy (Honours) Degree

TIME ALLOWED: 3 HOURS

INSTRUCTIONS TO CANDIDATES:

1. Answer all questions.
 - a. Section A multiple choice questions each carrying 2 marks.
 - b. Section B structured questions.
 2. No cell-phones are allowed in the examination.
 3. Use of silent non-programmable calculators is allowed.
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SECTION A- MULTIPLE CHOICE QUESTIONS (30 Marks)

1. Who develops accounting standards for public sector entities referred to as International Public Sector Accounting Standards (IPSAS)?
 - A. International Public Sector Accounting Standards (IPSAS)
 - B. International Federation of Accountants (IFAC)
 - C. International Accounting Standards Board (IASB)
 - D. International Public Sector Accounting Standards Board (IPSASB)
2. Which of the following International Public Sector Accounting Standards (IPSASs) has no corresponding International Accounting Standard (IASs)?
 - i. IPSAS 23 Non exchange transaction
 - ii. IPSAS 5 Borrowing costs
 - iii. IPSAS 24 Budget Reporting
 - iv. IPSAS 1 Presentation of financial statement
 - A. (i) and (iii)
 - B. (i), (ii) and (iv)
 - C. (i), (ii) and (iii)
 - D. All of the above.
3. Which one of the following is the correct definition of public finance?
 - A. Process of recording, communicating, summarizing, analysing and interpreting government financial statements and statistics in aggregate and details.
 - B. This refers to a systematic recording and analysis of financial transactions of a business, or public sector.
 - C. A branch of economics which is concerned with resource allocation as well as resource management, acquisition and investment.
 - D. It is the process of reporting statistics of the government.
4. Which of the following is a key characteristic(s) of the public sector with reporting implications?
 - i. Volume of non-exchange transactions
 - ii. The use of approved budgets
 - iii. Regulatory role of private sector entities
 - iv. Statistical reporting needs of the public sector
 - A. (i) and (iv)
 - B. (iv)

- C. (iii)
- D. (i), (ii) and (iii)
5. What is the purpose of implementing IPSASs within public sector entities?
- For producing quality financial statements
 - For transparency and accountability
 - For making comparison of financial statements easier
 - For the purpose of comparing government ministries operations only.
- A. (i) and (ii)
- B. (i), (ii) and (iii)
- C. (iii) and (iv)
- D. All of the above
6. What is privatisation?
- Is to commercialise the product or service which was once offered for free.
 - It is the transferring or selling of government assets to private individuals
 - It is the transferring or selling of private assets to government.
 - It is the process of buying shares from private companies for speculation purposes.
7. Which ones of the following projects are best suited to engage Public Private Partnerships?
- Construction of church which the president is a member
 - Construction of orphanage school
 - Construction of tollgates
 - Construction of highway roads
- A. (i) and (ii)
- B. (i),(iii) and (iv)
- C. (iii) and (iv)
- D. All of the above
8. Who is responsible for appointing and removing state auditor in Zimbabwe?
- Minister of Economic Development and Finance
 - Tribunal appointed by President

C. President

D. Parliamentary committee

9. Which one of the following is not a responsibility of the secretary and paymaster general?

- A. Ensuring the effective implementation of Public Finance Management Act.
- B. Guide accounting officers on any matter concerning the application of Public Finance Management Act
- C. Shall promptly appraise the Minister concerning any defect in the Public Finance Management Act
- D. Determine the manner in which public resources shall be accounted for.

10. Which government fund account is used to service a government loan?

- A. General fund
- B. Special revenue fund
- C. Debt service fund
- D. Permanent fund

11. At the beginning of the year, the following estimates were approved by a public sector enterprise:

- i. Estimated revenue for the year amounted to \$100m
- ii. Authorised expenditure was pegged at \$97m
- iii. A total of \$2m was estimated to be obtained from the government's main fund account
- iv. It was also assumed that \$4m will be transferred to a sister entity during the year

Determine the closing balance in the budget fund account.

- A. Surplus of \$1 million
- B. Deficit of \$1 million
- C. Surplus of \$5 million
- D. Deficit of \$5 million

Use the following information to answer questions 12 and 13

XYZ municipality is building a new library in the city to replace the old one. An amount of \$25 000 was allocated to the project on 1 January 2022 and \$40 000 on 1 July 2022.

The library was completed on 31 December 2022. The amount was borrowed at an interest rate of 7.5% per annum.

12. How much should be capitalised as borrowing cost?

- A. \$3 375
- B. \$68 375
- C. \$4 875
- D. \$69 875

13. Assuming the library was substantially complete by 30 September 2022, how much of the borrowing cost should be capitalised?
- A. \$3 375
 - B. \$68 375
 - C. \$4 875
 - D. None of the above.
14. Which of the following is a government reinventing strategy?
- A. Nationalisation
 - B. The use of type writers
 - C. Collection of taxes
 - D. Contracting out
15. Which budgeting method is used to reflect the input resources and the output of services for each unit of an organization?
- A. Performance budgeting
 - B. Incremental budgeting
 - C. Zero based budgeting
 - D. Activity based budgeting

SECTION B (70 Marks)

QUESTION 1

You are the Accountant General of the Republic of Zimbabwe, and the Secretary to the Cabinet has written a memo to you indicating that they just concluded a seminar addressed by His Excellency the President of the Republic of Zimbabwe under the theme “promoting ethical conduct, integrity and accountability in the public sector for enhanced public service delivery.” The discussions during the seminar focused on financial and adoption of accrual accounting in the public service. It was emphasised that migration from cash basis to accrual basis is necessary to improve transparency in the public sector. Another issue discussed was encumbrance control system. The meeting was informed that encumbrance control strengthens financial management and therefore Ministries, Provinces and other Spending Agencies (MPSAs) must ensure that every expenditure was used in accordance with what was appropriated by Parliament. The Secretary to the Cabinet is not clear on the above mentioned issues and is seeking clarification.

Required:

- a) Explain to the secretary any three differences between accrual accounting and cash accounting. (6 marks)
- b) Explain any five (5) justifications for adopting accrual based IPSAs accounting in the public sector as compared to cash basis.

(10 marks)

- c) Distinguish between modified cash accounting from modified accrual accounting.

(10 marks)

- d) Explain the term encumbrance control and illustrate how it could strengthen public financial management. (6 marks)

[Total: 32 marks]

QUESTION 2

- a) Citing relevant examples explain the following terms:

- i. Gross debt (5 marks)
- ii. Net debt (4 marks)
- iii. Loan performance (4 marks)

- b) Explain 5 actions which can be taken by the Zimbabwean Government to reduce accumulation of debt. (5 marks)

[Total: 18 Marks]

QUESTION 3

Briefly explain the five (5) legal frameworks that regulates public sector financial operations in Zimbabwe.

[Total: 20 Marks]

*****END OF EXAMINATION*****