

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTANCY

JUN 2024

PUBLIC SECTOR ACCOUNTING AND FINANCE 1 (AC114/AC209)

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. Which one of the following is NOT a characteristic of public sector organisations?
 - A. Controlled and managed by government
 - B. They are financed from a budget of private corporations
 - C. They have excessive formalities
 - D. They are accountable to the public.
2. Which of the following components of financial statements are defined under International Public Sector Accounting Standards (IPSAS) 1 Presentation of Financial Statements?
 - i. Statement of Performance
 - ii. Statement of Cash flows
 - iii. Budget Report statement
 - iv. Statement of change in net assets
 - A. (i) and (ii)
 - 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 sector accounting?
 - A. Process of recording, communicating, summarizing, analysing and interpreting government financial statements and statistics in aggregate and details.
 - B. It is commonly known with dealing with the allocation of resources in accordance with the budget constraint of a public sector organization, especially government.
 - 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/ are NOT a characteristic(s) of public sector reporting with 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. (ii) and (iii)

5. What is the purpose of implementing IPSASs within public sector entities?

- i. For producing quality financial statements
- ii. For transparency and accountability
- iii. For private and confidential information
- iv. For the purpose of comparing government ministries operations only.

- A. (i) and (ii)
- B. (i), (ii) and (iv)
- C. (iii) and (iv)
- D. All of the above

6. Which ones are correct definitions of gross debt?

- i. It refers to the total debt government owes to outsiders (issued debt)
- ii. It represents a portion of the government total liabilities
- iii. It represents a portion of the government net assets
- iv. This amount normally arises due to issue of bonds and debentures

- A. (i) ,(ii) and (iv)
- B. (i), (ii) and (iii)
- C. (iii) and (iv)
- D. All of the above

7. The Minister may borrow money in terms of Section 52 of the Public Finance Management Act (No 11-2009) for the following purposes:

- i. to refinance a maturing debt or a loan paid before the redemption date; or
- ii. to finance national budget deficits; or
- iii. to obtain foreign currency for any Government undertaking; or
- iv. to maintain credit balances on a bank account of the Consolidated Revenue Fund.

- A. (i) and (ii)
- B. (i),(iii) and (iv)
- C. (iii) and (iv)
- D. All of the above

8. Whose responsibility is it to appoint the Auditor General in Zimbabwe?
- A. Minister of economic development and finance
 - B. Governor of Reserve Bank of Zimbabwe
 - C. President and with the approval of Parliament
 - D. Parliament and accountant general
9. Which one of the following is NOT a responsibility of the treasury?
- A. Managing the Consolidated Revenue Fund;
 - B. Determine the manner in which public resources shall be accounted for
 - C. Manages the Consolidated Revenue Fund, supervise, control and direct all matters relating to the public resources of Zimbabwe.
 - D. Oversee all statutory funds.
10. Which government fund account can be used for investment if there is any excess in the account?
- A. General fund
 - B. Special revenue fund
 - C. Debt service fund
 - D. Permanent fund
11. Which one of the following is the correct definition of modified cash basis?
- A. Measures cash flows at the time those flows actually take place
 - B. It records assets and liabilities and is therefore associated with the production of balance sheets
 - C. It uses both cash basis accounting and accrual accounting
 - D. It allows a short period of time after the year-end for settling liabilities of the year just ended (and treats this expenditure as occurring in the year just ended).
13. The main function(s) of the budget fund balance include:
- A. Recording estimated income and expenditure will give government a picture of possible surplus/deficit
 - B. Indicating where there is need for expenditure control to cut on deficit
 - C. A base for government to decide on new income earning activities/ adjustments of tax rates to raise more revenue
 - D. All of the above

14. Which one of the following is NOT a reinventing strategy of government?

- A. Privatisation
- B. Electronic government
- C. Collecting tax
- D. Franchising

15. Which one of the following is NOT a statutory corporation in Zimbabwe?

- A. National Railways of Zimbabwe (NRZ)
- B. Reserve Bank of Zimbabwe (RBZ)
- C. Government Business Enterprise of Zimbabwe (GBEZ)
- D. Air Zimbabwe

SECTION B (70 Marks)

QUESTION 1

An Inter-ministerial Committee has been set up to organise and mobilise resources for a Women's Day event. The event will be officially opened by the Vice President. The Department of Buildings in the Ministry of Local Government, Public Works and Housing recently received an order to carry out maintenance works at Cabinet Office in preparation for the event. As the accountant at Ministry of Local Government, Public Works and Housing and a member of the inter-ministerial committee you have taken note of the following events:

- January 15 Committee of Women's Day meeting.
- January 16 Department of Buildings receives purchase order of \$8 000 from Cabinet Office to carry out maintenance works.
- January 19 Procurement Committee at Ministry of Local government, Public Works and Housing approves request of \$3 000 from Director Buildings to procure supplies.
- January 24 Chief Procurement Officer approves purchase of supplies on account for \$3 000.
- January 30 Buildings Department start maintenance works at Cabinet Office.

- February 5 Committee of Women's Day meet to review progress on preparation of Women's Day Event.
- February 20 Buildings Department complete works and invoice Cabinet Office for \$8 000.
- February 27 Buildings Department pays \$3 000 for supplies received on account
- March 7 Women's Day event official opened by Vice President.
- March 13 Cabinet Office pays Buildings Department \$8 000 by cheque.

Required:

- a) Discuss the terms cash and accrual accounting guided by IPSAS 33 the first time adoption of accrual accounting. (8 marks)
- b) Outline any two (2) advantages and (2) disadvantages of using cash accounting. (4 marks)
- c) From the events listed above prepare Revenue and Expenditure statements for the months of January to March 2022:
- i. Using cash accounting (6 marks)
- ii. Using accrual accounting (7 marks)

[Total: 25 marks]

QUESTION 2

PART A

Zimbabwean government has so far used different methods of budgeting in accordance with the budget manual. The following are some of the methods used:

- 1) Incremental budgeting
- 2) Zero based budgeting
- 3) Performance based budgeting
- 4) Virement budgeting
- 5) Activity based budgeting

Required:

- a) Define each of the above five methods of budgeting. (10 Marks)
- b) State why you would recommend or not recommend each method. (10 Marks)

PART B

Explain the rational of encumbrance budget system in Zimbabwean public entities.

(5 Marks)

[Total: 25 Marks]

QUESTION 3

Critically discuss the use of Public Private Partnerships (PPPs).

[Total: 20 Marks]

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