

BINDURA UNIVERSITY OF SCIENCE EDUCATION
FACULTY OF COMMERCE
DEPARTMENT OF ACCOUNTANCY

NOV 2023

Programme:

Bachelor of Accountancy Honours Degree.

PUBLIC SECTOR ACCOUNTING AND FINANCE 2 (AC414)

EXAMINATION PAPER

TIME ALLOWED: 3 HOURS

(100 MARKS)

INSTRUCTIONS TO CANDIDATES:

1. Answer all questions.
 2. No cell phones are allowed in the examination room.
-

Section A –Multiple choice questions (30 marks)

1. All revenues received by government departments as fees and charges on the services rendered in accordance with the laws is known as

- A. Grant-in-aid
- B. Internally generated fund
- C. Warrant
- D. Non-tax revenues

2. International Public Sector Accounting Standard 17 (IPSAS 17) deals with

- A. Presentation of general purpose financial statement
- B. Accounting policies, changes in accounting estimates and errors
- C. Property, plant and equipment
- D. Cash generation assets

3. In public sector accounting, value for money is measured by

- A. Economy, efficiency and effectiveness
- B. Integrity, honesty and due care
- C. Profit, revenue and cost
- D. Equity, economy and efficiency

4. The levy imposed on all rateable persons within the jurisdiction of an Assembly is termed

- A. Basic rate
- B. Property rate
- C. Poll tax
- D. Licenses

5. The global organisation for the accountancy profession is known as

- A. International Accounting Standards Board
- B. International Public Sector Accounting Standard Board
- C. International Federation of Accountants
- D. Association of Certified Chartered Accountants

6. Parliament enacts laws and General Assemblies of local governments enacts

- A. Fee-fixing resolution
- B. Local laws
- C. Bye-laws
- D. Regulations

Use the following information to answer number 7 and 8

A local authority sold an asset valued at \$100 000. The asset was originally financed from a loan of which \$75 000 is still outstanding. The asset was sold for \$60 000.

7. From the information given above calculate deferred charges.

- (A) \$75 000
- (B) \$25 000
- (C) \$40 000
- (D) \$15 000

8. How much is the capital discharge?

- (A) \$75 000
- (B) \$25 000
- (C) \$40 000
- (D) \$15 000

9. Which statement(s) is TRUE about IPSAS 24 *Budget reporting*?

- (i) The actual amounts on a comparable basis should be reported;
 - (ii) Only Minister of Finance and accountant general approves the national budget;
 - (iii) The original and final budget amounts should be reported;
 - (iv) Only virement budget is suitable to prepare budgets in governments.
- A. All of the above
 - B. (iv) only
 - C. (i) and (iii) only
 - D. (i), (iii) and (iv)

10. Which of the following statement (s) is or are **INCORRECT** about revenue account of public entity?

- (i) It is reduced when loan is repaid

- (ii) Some of the excess is used to finance non-current assets.
- (iii) Surplus amount in this account is called deferred charges
- (iv) It is called revenue contribution to capital outlay

- A. (iii) only
- B. (i) and (iii) only
- C. (i), (iii) and (iv) only
- D. (iii) and (iv) only

11. Which of the following IPSASs do not apply to public sector entities only?

- (i) IPSAS 2 Cash flows
- (ii) IPSAS 9 Exchange transactions
- (iii) IPSAS 21 Impairment of non-generating assets
- (iv) IPSAS 24 Budget reporting

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

12. Which of the following is not a special fund in the local government?

- (A) Endowment fund
- (B) Capital development fund
- (C) Consolidated loan fund
- (D) Capital programme fund

13. The most verifiable measurement basis of public assets is

- A. Historical cost
- B. Market Value
- C. Replacement cost
- D. Net realisable value

14. Which of the following is **NOT** a characteristic of public enterprise?

- (A) Is an entity with the power to contract in its own name?

- (B) Has been assigned the financial and operational authority to carry on a business;
- (C) Sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;
- (D) It an entity which prepares their financial statements in compliance with IPSAS.

15. B municipality constructed a clinic for \$1.2m. The construction was financed by funds that were borrowed from the government. The loan repayment were \$200 000 and \$150 000 being principal and interest respectively.

From the above information which of the following is the correct entry?

- A. Debit revenue account with \$1.2m
- B. Debit the revenue account with \$350 000
- C. Debit the capital discharge with \$350 000
- D. Credit the capital discharge with \$1.2m

Section B (70 marks)

QUESTION 1

- (a) You have just been posted to the Office of the Accountant General Expenditure Unit. The Unit is responsible for the consolidation of Government accounts. You have been asked to analyse the information given below in the Trial Balance of the Consolidated Fund for the year ended 31 December, 2022.

	<u>Debit</u>	<u>Credit</u>
	<u>K'Million</u>	<u>K'Million</u>
Salaries - Superscale	6,760	
Salaries - Div I & II	2,010	
Salaries - Div III	230	
Administrative cost	3,350	
Conferences & seminars	1,260	
Foreign travel	750	
Social benefits	1,040	
Domestic debt interest	1,450	
External debt Interest	1,740	
Purchase of vehicles	250	
Purchase of equipment	410	
Construction of infrastructure	560	
Cash and bank	2,470	
PAYE		7,330
Corporation tax		5,010
VAT		2,320
Fines		150
Fees		310
Fuel Levy		700
Grants		430
Treasury bills		11,120
Bonds		13,460
Euro Bond		7,460
Bilateral & multilateral debt		19,660
Other expenditure	910	
Accumulated Fund	44,760	
	<u>67,950</u>	<u>67,950</u>

Additional information:

1. The Current Chart of Accounts based on the GFS 2022 is used to classify revenues and expenditure.
2. VAT of \$50m was due to Government but was not received by Government as at 31 December, 2022.
3. A grant agreement signed 2021 by the Government of Zimbabwe and the Swedish Embassy for the purchase of various medical supplies for government hospitals was received and paid for in November 2022,

Required:

- (i) Define the following terms as used in Public Sector Accounting and give two (2) example of each classification.
 1. Financial Assets (3 marks)
 2. Non – Financial Liabilities (3 marks)
 - (ii) Using Cash Basis IPSAS of Accounting, outline mandatory disclosure requirements for presentation of financial statements. (4 marks)
 - (iii) Using the information from the Trial Balance prepare Statement of Financial Performance for the Consolidated Fund for the year ended 31 December 2022. (20 marks)
- [Total: 30 Marks]**

QUESTION 2

An external loan of \$2 500 000 is raised on 01 July 2021 for the purchase of an office block for the town planning department. The building is purchased and paid for on the same day. The 16% loan has to be repaid over a period of 5 years according to the annuity method of loan redemption. The periodic instalment necessary to repay an annuity loan of \$1 over 5 periods @ 16% p.a is \$0.30541. \$1 invested annually at 16% p.a accumulates to \$3.5056 after 3 years and \$6.8771 after 5 years.

Required:

- (a) Calculate the capital charges for the year ending 30 June 2022. (5 marks)
- (b) Show how accounting entries regarding the raising of the loan, purchase of the non-current asset and payment of capital charges are recorded in appropriate ledger accounts. (10 marks)
- (c) Determine the outstanding loan at the end of the 3rd year. (5 marks)

[Total: 20 Marks]

QUESTION 3

Explain the similarities and differences between IPSAS 23: Revenue from non-exchange transactions and IPSAS 9: Revenue from exchange transactions. (20 marks)

*****END OF EXAM*****