

BINDURA UNIVERSITY OF SCIENCE EDUCATION
FACULTY OF COMMERCE
DEPARTMENT OF ACCOUNTANCY

MAR 2024

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.
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Section A –Multiple choice questions (30 marks)

1. What is the main purpose of adopting IPSAS in the public sector entities?
 - A. Clarity and accountability for public sector entities financial position
 - B. Avoiding the extension of credit to unaccountable or badly-run public sector entities
 - C. Prevention of fraud
 - D. Ensuring that government bail-out of private companies is as transparent as possible

2. Why are local governments in Zimbabwe struggling to adopt IPSAS?
 - A. There is a higher level of corruption in local government
 - B. They are used to preparing accounts on a modified cash and partial accrual basis
 - C. People in local government are typically less well trained
 - D. There are fewer people in local government so taking on a change of this size is hard

3. Which one of the following statements is **TRUE** in relation to IPSAS 12-*Inventories*?
 - A. FIFO is not allowed by IPSAS 12.
 - B. All individual items of inventory must be separately priced and valued.
 - C. Inventory should be valued at the higher of cost or net realisable value.
 - D. The entity shall use the same cost formula for all inventories of a similar nature.

4. Which one of the following statements is **NOT TRUE** about Government Business Enterprises?
 - A. They are required to comply with International Accounting Standards (IASs).
 - B. Their standards are issued by the International Accounting Standards Committee.
 - C. They are required to comply with International Public Sector Accounting Standards (IPSASs).
 - D. None of the above

5. Following IPSAS 20-*Related Party Disclosures*, which one of the below is not necessarily a related party for a public sector entity?
- A. Key management
 - B. An associate of the entity
 - C. Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
 - D. An entity providing financing for a project run by the public entity
6. Which one of the following statements is TRUE about revenue account of a local authority?
- A. When the account has deficit usually it is financed by well wishers
 - B. When there is surplus some of the funds is appropriated to revenue contribution to capital outlay
 - C. When the account has surplus some of the funds are classified as deferred charges
 - D. Revenue account does not apply double accounting.

Use the following information to answer Questions 7 and 8

An internal advance of \$20 million is granted to finance ABC's office furniture for the traffic department. The advance is repayable in equal semi-annual instalments over a period of 5 years at an interest of 10% per annum.

7. Which redemption method is used to calculate capital charges?
- A. Fixed capital method
 - B. Sinking fund method
 - C. Annuity method
 - D. None of the above
8. Calculate the capital discharge for the first year?
- A. \$2 million.
 - B. \$4 million.
 - C. \$4.9 million.
 - D. \$3 million.
9. Which statement is true about IPSAS 24- *Budget reporting*? The comparison of budget and actual amounts shall be presented separately for each level of legislative oversight:
- (i) The original and final budget amounts;
 - (ii) The actual amounts on a comparable basis;

- (iii) By way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts; and
- (iv) Unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

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

10. Which ones of the following interest rates are applicable when using sinking fund method?

- (i) Rate payable to stockholders or lenders
- (ii) Statutory rate regarding redemption fund investment
- (iii) Prevailing Inflation rate
- (iv) Actual investment rate

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

11. Which of the following IPSAS(s) has a report with implications in public sector entities?

- (i) IPSAS 23 Non exchange transaction
- (ii) IPSAS 9 Exchange transaction
- (iii) IPSAS1 Presentation of financial statements
- (iv) IPSAS 5 Borrowing costs

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

12. Which of the following is/ are a function of capital development fund of a local authority?

- (i) Financing capital development projects
- (ii) Acquiring assets for council
- (iii) Replacing council assets
- (iv) Acquiring land for stands

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

13. Which one of the following statements is not a purpose of government accounting?

- A. To provide financial information to external and internal lenders only.
- B. To provide periodic financial statements, containing appropriately classified financial information, as a basis for stewardship, accountability and decision-making.
- C. To maintain financial records suitable for budgetary control, internal control and the needs of auditors.
- D. To provide means for effective management of government assets, liabilities, expenditures and revenues.

14. Which one of the following is 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. All of the above

15. Which of the following is or are an exchange transaction?

- (i) Sales
- (ii) Value added tax
- (iii) Service in kind
- (iv) Interest received

- A. (ii) only

B. (i) and (iii) only

C. (ii), (iii) and (iv)

D. (i) and (iv)

Section B (70 marks)

QUESTION 1

The following information has been extracted from the books of QE Public Hospital regarding transactions for the month of November 2022:

(1) Salaries and wages:

Amount paid \$120m PAYE deducted from November Payroll \$8m PAYE for October Payroll \$10m Staff advances recovered from November payroll \$1,5m

(2) Staff advances paid out during the month \$6m

(3) Repairs and maintenance of equipment for the month was \$2,5m. Out of this amount, one contractor for \$0,5m gave the hospital 30 days credit.

(4) Depreciation of non-current assets for the month was \$8m

(5) During the month, \$45 million was paid to a motor vehicle dealer for the supply of three ambulances. Two ambulances were delivered during the month while the third one was delivered in December 2022. The ambulances have a useful life of three years.

(6) The hospital had ordered 1,000 plastic chairs at a cost of \$4,500,000. These were delivered during the month and payment was made on 2 December 2022.

Required:

- (a) Using the accruals basis, prepare QE Hospital's statement of financial performance for November 2022. (15 marks)
- (b) Using the appropriate IPSAS as required by the current Zimbabwean Government regulatory framework, prepare QE Hospital's statement of financial position. (10 marks)

[Total: 25 Marks]

QUESTION 2

Below are cash transactions of Department of Welfare for the year ended 31 December 2022

	\$usd
Government of Zimbabwe receipt	750,000
Fees and charges on services	150,000
Compensation of employees	330,000
Goods and services	270,000
Interest expense	75,000
Grants received from donors	180,000
Purchase of non-financial assets	225,000
Staff loans	60,000
Investment	90,000
Sale of investment	15,000
Auction of old assets	22,500
Staff advances	120,000

(7) Medical equipment worth \$5 million was ordered and paid for but delivery took place in December 2022.

(8) The hospital used fuel as follows: October 2022 \$8 million, and November 2022 \$7.5 million. The hospital has an arrangement with one of the service stations whereby fuel drawn in one calendar month is paid for in the following month.

(9) The hospital used stationery as follows; October \$800,000 and November \$600,000. The hospital gets all its stationery on 30 day credit terms.

(10) The hospital had the following sources of income:

	Oct (Actual) \$m	Nov (Actual) \$m	Dec (Projection) \$m
Government funding	150	164	160
Donor funds (excluding WHO)	15	12	13

(11) The World Health Organisation (WHO) had committed to assist the hospital with \$10 million per month for six months, from October 2022 to 31 March 2023. Due to some logistical problems the money for October and November was received on 20 November 2022.

(12) One of the wards is for patients who pay for the services and the hospital had the following income from the ward: September 2022 - \$3m October 2022 - \$2.5m November 2022 - \$0.85m and December 2022 projected - \$2.3m.

60 % of the patients pay during the month of treatment, 30% in the following month and the rest thereafter.

(13) At the beginning of the month the hospital had \$47,000 in its bank account.

Bank loans	450,000
Repayment of loans	90,000
Social benefits	30,000
Other expenditure	105,000
Consumption of fixed capital	75,000
Cash and cash equivalent as at 1/1/2022	135,000

Required:

Prepare a Statement of Cash Flows for the year ended 31 December 2022, in accordance with IPSAS 2.

[Total: 25 Marks]

QUESTION 3

(a) Explain the concept of “Value for Money”

(6 Marks)

(b) Illustrates with examples, how each element of value for money plays out in a typical public sector entity.

(14 Marks)

[Total: 20 Marks]

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