



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION WITH IT
3RD YEAR 1ST SEMESTER 2018/2019 ACADEMIC YEAR
MAIN CAMPUS

COURSE CODE: ABA 304

COURSE TITLE: PUBLIC SECTOR ACCOUNTING

EXAM VENUE: STREAM: (BBA)

DATE: EXAM SESSION:

TIME: 2 HOURS

Instructions:

- 1. Answer Question ONE (COMPULSORY) and ANY other 2 questions**
- 2. Candidates are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room.**

Question 1

(a) Taxes are compulsory payments that do not necessarily bear any relationship to the benefits of government goods and services received (Hyman, 1990).Discuss 5 Marks

(b) Briefly discuss the national government expenditure authorization procedure

with respect to the management and control of public finance (voucher preparation process) 10 marks.

(c) The following information was submitted by the Sub-County Accountant of the ministry of Interior and Internal Security Bondo for the month ended February 28th 2018.

- (i) On 1.02.2018, The AIE holder received the second quarter allocation of kshs.3,000,000 in respect of recurrent expenditure for the financial year 2017/18.
- (ii) On 06.02.2018 committed an LPO number L001 of kshs.150,000 for the purchase of fuel for Ndori Filling Station.
- (iii) On 08.02.2018 Paid kshs 4,000 to Nyawita Auto garage for repairing office motor bike on P. V. No 3002.
- (iv) On 11.02.2018 Paid kshs 600 Mr Wambua puncture repair on P. V. No 3003.
- (v) On 12.02.2018 Issued an LPO No L002 to the tune of kshs.40,000 to Autoxpress Kisumu for the supply of vehicle tyres.
- (vi) On 14.02.2018 Issued an LPO No L003 to Okiki Ventures for the supply of two dry vehicle batteries to the tune of Kshs.12,000.
- (vii) On 15.02.2018 Paid Ndori filling station kshs.150,000 for supply of diesel PV.3004
- (vii) On 19.02.2018 Paid the sum of 12 ,000 to Okiki Ventures for the supply of dry batteries on P. V. No 3005 .
- (viii) 21.02.2018 Paid the sum of 40,000 on P. V. No 3006 AutoXpress for the supply of tyres.

You are required to post the transactions in the Ministry's vote book control(VBC) .Remember to clearly show column for commitments , payments, reversals and balances as at 28.02 .2018. **15 marks**

QUESTION TWO

(a) The responsibility of National budgetary control lies with the National Treasury, which is to ensure that the expenditures of the Nation as a whole are always within the available revenue resources of the Nation. Discuss in detail the constitutional revenue,fund and expenditure controls .
8 marks

(b)The following discoveries were made by the sub-county accountant while carrying out a special check on the books of accounts of Bondo sub-county Treasury.

(i) On 3rd April, 2015, the sum of kshs.315,000 was fraudulently withdrawn from Ministry of Interior and Internal Security and charged to Deposits account. The fraud was discovered on 13th February, 2016.

(ii) On 17th of January, 2015, an overpayment of kshs.1,050,000 was made to Uyoma Ltd in respect of supply of furniture to the new government house built by the former administration. This was discovered on 21st September of the same year.

(iii) On 29th October, 2015 an amount of kshs.45,000 being the revenue accruable to the Government from rent of her property but never received was abandoned.

(iv) On 3rd of November 2015, an officer died while in active service and the aggregate of his pension and gratuity was kshs.77,605 while he had an outstanding motor vehicle advance of kshs. 96,815.

(v). On 12th of November 2015, the sum of kshs.365,000 which was initially charged to correspondence advance had been abandoned.

Required:

Journalize the transactions and discoveries made above. **10 marks**

(c) Discuss briefly the establishment and incorporation of the Retirement benefit Authority in relation to Non contributory pension scheme **2 marks**

QUESTION THREE

(a) Discuss briefly the difference between capital and revenue expenditure **5 marks**

(b) Discuss appropriation in aid with reference to internally generated revenue. **5 marks**

c) Mrs Onyango is a business lady who deals in hardware and general supplies .She has been doing business with individual consumers and non-governmental organizations. Her colleagues in business encouraged her to try her hand in trading with the government.

Required:

Advise the lady on the government procurement process. **10 marks**

QUESTION FOUR

(a) Write short notes giving examples on the following key public sector accounting positions in both county and national governments. **5 marks**

(i) Accounting officer

- (ii) A.I.E holder
- (iii) County executive member in charge finance
- (iv) Accountant General
- (v) Controller and Auditor general

(b) List and explain 5 Fiscal Policy Instruments that the Kenyan government uses to manage the economy. **5marks**

(c) The objective of enactments relating to public financial management, among others, is to safeguard the public funds from plunder. One way to achieve this objective is by making specific provisions on the modalities for making payment from the Consolidated Fund. The law requires that all payments from the Consolidated Fund should be authorized and the payment should comply with certain general rules.

Required:

(i) Identify and explain THREE ways of authorising payments out of the consolidated fund. **(5 marks)**

(ii) Identify FOUR statutory payments permissible by law in the public sector **(5 marks)**

QUESTION FIVE

(a) You have received an official email from your County executive in charge Finance which reads:

“Hello Accountant,

Hope you are doing well. We have closed from a workshop organised by the Accountant General’s Department on public financial management not long ago and the discussion was all about adoption of accrual accounting in the public sector. It was emphasised that migration from cash basis to accrual basis is necessary to improve financial reporting and transparency in the public sector. You know I have little knowledge in Accountancy since my major was finance, so I was completely lost in the discussions and I wished you had attended the workshop with me.

Another issue discussed was commitment accounting relating to LPOs, LSOs and imprest. We were made to understand that government official orders must go through the data capture as the same strengthens public financial management and therefore departments must ensure that every expenditure is committed in accordance with the appropriation prior to spending.

Please could you help me with some information on these issues?

Required:

i) Explain to the CEC Finance 3 differences between accrual accounting and cash

accounting. (2 marks)

ii) Identify THREE justifications for adopting accrual accounting in the public sector.

(2marks)

iii) Explain the term commitment accounting and illustrate how it could strengthen public financial management.(2 marks)

(bThe following Trial Balance was extracted from the books of Siaya County Government as at 31st December 2017.

	Debit	Credit
	KSHS.'000	KSHS '000
Property rate		450,000
Basic rates		200,000
Special rates		50,000
Lorry park fees		40,000
Other parking fees		10,000
Building permits		110,000
Penalties		80,000
Market fees		620,000
National quarterly allocation		980,000
Sub-county Development Facility		350,000
Compensation for employees		1,000,000
Herbalist licenses		20,000
Hawkers licenses		15,000
Other licenses		12,000

	Debit	Credit
Royalties		50,000
Other royalties		150,000
Market Store rent		70,000
Other rentals		40,000
Other revenues		10,000
Gains from business		30,000
Established post	1,080,000	
N on established post	700,000	
Goods and services	950,000	
Interest expense	20,000	
Social benefits	180,000	
Other expenditure	260,000	
Bank and Cash	40,000	
Advances and loans	80,000	
Investment	100,000	
Property, Plant and equipment	1,200,000	
Accounts payables		60,000
Short term loans		120,000
Deposits		100,000
Accumulated Fund		43,000
	4,610,000	4,610,000

Additional information:

- i) Revenues are classified as follows: Rate, Land Revenue, Fees and Fines, Licenses, Rent income, investment income and Grants.
- ii) The expenditure classification should comply with the harmonised Chart of Accounts.
- iii) Consumption of fixed capital for the year is computed as Kshs .260,000,000.

Required:

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a) Prepare:

i) A Statement of Financial Performance for the year ended 31st December 2017. (7marks)

ii) A statement of Financial Position as at 31st December, 2017. (7marks)

(Please show all workings clearly).