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**University Examinations 2015/2016**

THIRD YEAR SECOND SEMESTER EXAMINATION FOR THE DEGREE

OF

BACHELOR OF COMMERCE

**BFC 3377: PUBLIC SECTOR ACCOUNTING**

**DATE: APRIL 2016 TIME: 2 HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***two***questions.

**QUESTION ONE (30 MARKS)**

The following information extracted from the books of Ukaa State University as at 30.6.15, a State Corporation, providing higher education to the citizens of Ukaa State in Africa.

|  |  |  |
| --- | --- | --- |
|  | Sh. Million | Sh. Million |
| REVENUE |  |  |
| Tuition fees (GOK – Exchequer) | \_\_\_ | 1,008 |
| Hostels Income | \_\_\_ | 168 |
| Catering incomes | \_\_\_ | 340 |
| GOK bursaries/scholarship | \_\_\_ | 25 |
| Miscellaneous income SSP | \_\_\_ | 425 |
| Other income | \_\_\_ | 150 |
| Donations income | \_\_\_ | 100 |
| Staff salaries | 480 |  |
| General maintenance | 110 |  |
| Water & electricity & insurance | 45 |  |
| Motor vehicle fuel expenses and insurance | 15 |  |
| Travelling expenses | 58 |  |
| Catering expenses | 258 |  |
| Administration costs | 22 |  |
| Public lectures and Annual graduation expenses | 10 |  |
| Printing, stationeries & Telephone | 15 |  |
| Hostels Maintenance costs | 75 |  |
| Management allowances | 15 |  |
| Tuition and examinations | 135 |  |
| Rent and rates | 15 |  |
| Part time teaching expenses | 246 |  |
| Land and buildings | 1,600 |  |
| Plant and machineries | 300 |  |
| Motor vehicles | 85 |  |
| Rent of building ssp programs | 15 |  |
| Computers | 50 |  |
| Software | 30 |  |
| Furniture and equipment | 50 |  |
| Bank | 200 |  |
| Creditors | \_\_\_ | 408 |
| Debtors | 280 |  |
| Prepayment insurance on buildings | 10 |  |
| Cash-unsurrendered imprests | 5 |  |
| Reserves | \_\_\_ | 300 |
| Staff Gratuities | \_\_\_ | 125 |
| Inventories | 40 | \_\_\_ |
| Short term investments in treasury bills | 200 | \_\_\_ |
| Accumulated reserves and fund | \_\_\_ | 768 |
|  |  |  |

**Notes**

1. The corporation depreciates assets as follows on straight line basis

Plant and machineries 5%

Motor vehicles 10%

Furniture & equipments 10%

Computers 20%

Software 20%

Building (Shs 1000 Million) 10%

Land 600 acres not depreciable though very fertile.

1. In the year ended 30.6.15 a circular from the state department of higher education of Ukaa state, was received by the university, requiring the university to waive all fees in arrears (debtors) to student with fees outstanding amount shs. 5,000 and below. The total number of students in this category were 6405, with a total debt of shs. 24,920,000 in fees arrears.
2. On 30.6.15 creditors who had supplied goods to University totaling shs. 18,000,000 and who were also parents with children at Ukaa University had also requested the University management to swap the amounts against their children fees accounts in arrears, a plan that the management accepted.
3. On 30.6.15 some employees who services contracts with university had expired, requested the University Management to pay them their gratuities in full which totaled to shs. 15,860,000.
4. On 30.6.15 Central Bank of Ukaa state paid back shs. 224 Million which had been invested with it by the University, both the principal and interest, into the University Bank Account.

**Required:**

1. Journal entries to record the above transactions (5 marks)
2. Ledger accounts to record the transactions in (a) above. (5 marks)
3. Statement of financial performance for Ukaa state University for the year to 30th June 2015. (8 marks)
4. Statement of financial position as at 30th June 2015. (5 marks)
5. With reference to Ukaa State University, compute
6. The current ratio (1 mark)
7. Acid test or quick ratio (1 mark)
8. Explain why many universities like Ukaa in Africa are in cash constraints? (2 marks)
9. Suggest at least three ways that Ukaa University can pursue or adopt to increase its revenue earning capacity and reduce dependency on exchequer funding. (3 marks)

**QUESTION TWO (20 MARKS)**

Explain clearly with good examples the following accounting techniques or features commonly used with regard to public sector accounting

1. Exchequer Account (4 marks)
2. Consolidated fund Account (4 marks)
3. Fund Accounting (4 marks)
4. Entity Accounting (4 marks)
5. Budgeting Accounting (4 marks)

**QUESTION THREE (20 MARKS)**

The following information was extracted from the records of county government of Borama as at 30.6.15

|  |  |
| --- | --- |
|  | Shs. Million |
| Transfer from exchequer | 450 |
| Fees & Fines & Licenses | 25 |
| Rates on property | 5 |
| Donations | 10 |
| Transfers from ministries of National Government | 20 |
| Other miscellaneous incomes | 5 |
| Salaries and wages | 375 |
| Operations and maintenance expenses | 160 |
| Transfer to ministries National Government | 10 |
| School Bursaries | 10 |
| Other expenses | 75 |
| Premises | 500 |
| Motor vehicle, equipments | 220 |
| Computers | 10 |
| Inventories & Stores | 115 |
| Cash and Bank | 5 |
| Staff gratuities | 128 |
| Bank overdraft 18% p.a | 175 |
| Debtors | 256 |
| Creditors | 112 |

**Required:**

1. Statement of financial performance for Borama County Government for the year to 30.6.15. (5 marks)
2. Statement of financial position as at 30.6.15 (5 marks)
3. From the accounts provided above, is there a rationale for county government to borrowing 175 Million at 18% P.A. Discuss. (5 marks)
4. Highlight, with clear explanations the measures that the Borama County Government can devise in order to enhance its revenue capacity and capability in order to balance its account without loans or overdraft for operational purposes. (5 marks)

**QUESTION FOUR (20 MARKS)**

The following was extracted from the books of Department of National Police Service for the fiscal year 2014/15. Vote head

|  |  |  |
| --- | --- | --- |
| Vote heads. | National Police Service Gross Estimated expenditure | Gross Actual expenditure |
|  | Shs. Billion | Shs. Billion |
| General Administration | 20 | 15 |
| Personnel emoluments | 60 | 55 |
| Staff uniforms | 20 | 15 |
| Staff leave allowances | 5 | 3 |
| Lease of motor vehicles | 10 | 10 |
| Purchase of aircrafts | 5 | 2 |
| Staff housing construction | 7 | 2 |
| Weapons/arms | 12 | 5 |
| Furniture and equipments | 8 | 5 |
| Insurance and exgratia | 6 | 4 |
| Training & Staff development | 2 | 1 |
| Food and rations | 2 | 1 |
| Clearing water electricity and conservancy | 5 | 3 |
| Printing and stationeries | 2 | 1 |
| Repairs and maintenance | 10 | 3 |
| Motor vehicles fuel, parts, tyres, repairs. | 10 | 15 |
| Celebrations, night outs and subsistence |  |  |
|  | 192 | 146 |
| Appropriation in aid | 32 | 40 |

Actual exchequer release 110 billion.

**Required:**

**Prepare**

1. Budget comparison analysis statement between the estimated expenditure and actual expenditure for the national police service (5 marks)
2. Which votes had the highest variance of over and under estimates (2 marks)
3. What could be the likely factors that could have led to over expenditures and under expenditures in the votes identified in (b) above. (5 marks)
4. Prepare the:
5. General account of vote (2 marks)
6. Exchequer Account (2 marks)
7. Paymaster General A/C (2 marks)
8. Appropriation Account for the national police service for the year to 30.6.15. (2 marks)

**QUESTION FIVE (20 MARKS)**

Discuss the role played by the following institutions in accounting for public funds in Kenya.

1. Accounting Officers (4 marks)
2. Central Bank of Kenya (3 marks)
3. National Treasury (4 marks)
4. Parliament (3 marks)
5. County Assemblies (3 marks)
6. Kenya revenue Authority (3 marks)