



MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING BANKING AND FINANCE

FIRST YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF COMMERCE

APP 100: PUBLIC SECTOR ACCOUNTING

DATE: 8/12/2020

TIME: 8:30 – 10:30 AM

INSTRUCTIONS:

Answer Question One and Any Other Two Questions.

QUESTION ONE (COMPULSORY) (30 MARKS)

- a) Briefly describe the following terms as used in public sector accounting
- Public Sector
 - Accounting
 - Public Sector Accounting
 - Fund Accounting (6 marks)
- b) Public sector has its own objectives and serves its own users as opposed to private sector. You are required to:
- Explain five objectives of public sector accounting
 - Identify four users of public sector accounting information (18 marks)
- c) Explain the following bases of public sector accounting
- Cash Basis
 - Accrual Basis
 - Commitment Basis (6 marks)

QUESTION TWO (20 MARKS)

- a) Discuss any three comparisons between government accounting and private sector accounting. (6 marks)

- b) The following cash transactions (cash) took place for a government unit for the month of January 2020

		Sh.
02/01/2020	Opening balance: Cash	4,000
	Bank	25,000
02/01/2020	Received cash in respect of trading license	62,500
03/01/2020	Paid Peter and Sons (cheque for goods supplied)	20,000
05/01/2020	Cash received in respect of fees	2,500
05/01/2020	Paid telephone charges (cheque)	8,700
06/01/2020	Paid AB Ltd by cheque	52,000
06/01/2020	Paid cash to James Burton	2,800
08/01/2020	Received cash for Licenses	210,000
09/01/2020	Paid wages in cash	5100
10/01/2020	Kept a cash balance 10,000 and banked rest together with all cheques in hand.	

Required:

Prepare a cash book for the governmental unit (14 marks)

QUESTION THREE (20 MARKS)

a) Differentiate between Vote book and ledger book (6 marks)

b) Prepare a vote head accounts from details below:

Vote head – Ministry of Public Works

A I E (Authority to incur expenditure) No. 225 – 35.

A I E (Authority to incur expenditure) K£5,000 (or Ksh100,000)

Transactions (Dec 2018)

1 Dec Ordered for iron sheets and cement from Ton & Co. for Sh.25,000;

L.P.O. No. 5213

6 Dec Paid Sh.3,000 for lorry hire to transport cement; PV No. 357

Transactions (Jan 2019)

10 Jan Paid Ton & Co. Sh.15, 000 being part payment for goods ordered through LPO No. 5213; PV No. 358.

15 Jan Purchased goods from AB & Co. for Sh.5,000 (timber); PV No. 359

20 Jan Issued LPO No. 5214 to Patel & Sons for windows and doors for Sh.20,000. 25 Jan Part payment to Patel & Sons Sh.7,000; PV No. 360. (14 marks)

QUESTION FOUR (20 MARKS)

Every governmental unit will prepare financial statements to account for the money allocated to them. The financial statements differ according to the nature of the activities undertaken by the governmental unit.

- a) Explains any five types of accounts commonly found in government departments (10 marks)
- b) The following account balances were extracted from the books of a pension fund for the year ended 30th June 2019:

	Dr (Shs)	Cr(Shs)
Payments to members	500,000	
Members' contributions		800,000
Payment for management expenses	150,000	400,000
Interest on investment by fund		1,800,000
Fund Account	350,000	
Cash balance (PMG)	<u>2,000,000</u>	
Investment A/C		
	<u>3,000,000</u>	<u>3,000,000</u>

Required:

- Prepare an income and expenditure account for the year ended 30th June 2019 (10 marks)

QUESTION FIVE (20 MARKS)

- a) Briefly explain i) Budgetary Accounting ii) Encumbrances (6 marks)
- b) Explain advantages Budgetary Accounting to any organization (14 marks)