MACHAKOS UNIVERSITY

University Examinations for 2016/2017 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARMENT OF BANKING, ACCOUNTING & FINANCE

FOURTH YEAR FIRST SEMESTER EXAMINATION FOR BACHELOR OF COMMERCE

BAC 410 PUBLIC SECTOR ACCOUNTS

DATE: 4/8/2017 **TIME: 2:00 – 4:00 PM**

INSTRUCTIONS:

Answer Questions One and Any Other Two Questions

QUESTION ONE (COMPULSORY) (30 MARKS)

(a) Define the term FUND as used in the Public Sector Accounting. (4 marks)

(b) State and Explain THREE functions of the Commission for Revenue Allocation, as given in the Constitution of Kenya 2010. (6 marks)

(c) Discuss any of the FOUR key benefits that accrue to the government that operates Treasury Single Account (8 marks)

(d) Discuss any THREE functions of the Public Account Committee in Kenya (6marks)

(e) Commitment Accounting begins with the commitment process'. Identify FOUR procedures involved in the commitment process. (6 marks)

QUESTION TWO (20 MARKS)

Stated below are the balances extracted from the government accounting records :

<u>INFLOWS</u>:	Ksh. "000"
Import duties	400,000
Export duties	300,000
Excise duties	200,000
Petroleum profit tax	80,000,000
Companies income tax	71,000,000

PAYE: -Deductions from civil servants	400,000
-Police personnel	30,000
- Foreign residents	20,000
Dividends from government investments	<u>120,000</u>

<u>OUTFLOWS</u>:

Remunerations of statutory officers	13,800,000
Recurrent expenditure	1,500,000
Transfers to: -Development fund	2,500,000
-Contingency fund	<u>20,000</u>

Important notes: Revenue allocation formula:

National government 65%

County governments 35%

Equalisation fund 0 . 5%

You are required to prepare Treasury Single Account and Consolidated Revenue Fund; from the balances given above. (20 marks)

QUESTION THREE (20 MARKS)

Discuss the various SOURCES OF REVENUES and CHARGES payable and accruable to the Consolidated Fund in Kenyan government. (20 marks)

QUESTION FOUR (20 MARKS)

'The financial statements of the government of Kenya are prepared annually by the accountant general in compliance with the Constitution of Kenya 2010 and Financial Management Act of 2012 for financial reporting in the public sector'

(a) Distinguish between cash basis and accrual basis of accounting in the public sector (10 marks)

(b) Explain FOUR reasons for the government of Kenya to adopt accrual accounting system. (6 marks)

(c) Identify the main components of Financial Statements of the government of Kenya (4 marks)

QUESTION (20 MARKS)

Under the Constitution of Kenya 2010; there is a National and County Revenue Collectors'. Explain the differences between the National and County Revenue Collectors. (20 marks)