MACHAKOS UNIVERSITY

University Examinations for 2016/2017 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING, BANKING AND FINANCE

SECOND YEAR SECOND SEMESTER EXAMINATION FOR DIPLOMA IN ACCOUNTANCY

DACC 213: PUBLIC SECTOR ACCOUNTS

DATE: 2/6/2017 **TIME: 8:30 – 10:30 AM**

INSTRUCTIONS:

Answer Question One and Any Other Two Questions

QUESTION (COMPULSORY) (30 MARKS)

(a) The Government debt is basically classified into **external** and **domestic debts**.

Required:

(i) Explain **external** and **domestic debts** (4 marks)

(ii) Enumerate two examples each for external and domestic debts (2 marks)

(b) Write short notes on the following :

(i) Contingences Fund (3 marks)

(ii) Collector of Revenue (3 marks)

(c) State and explain **two** reasons why public sector organisations still exist. (6 marks)

(d) Discuss the duties expected to be carried out by any public sector accounting officer (6 marks)

(e) Explain the term **" public money"** as used in public sector accounts. (6 marks)

QUESTION TWO (20 MARKS)

From the following information, you are required to prepare:

(i) Treasury single account (8 marks)
(ii) Consolidated fund (12 marks)

INFLOWS:	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	120,000
OUTFLOWS:	
Remunerations of statutory officers	13,800,000
Recurrent expenditure	1,500,000
Transfers to: -Development fund	2,500,000
-Contingency fund	20,000

Important notes: Revenue allocation formula:

National government 65%

County governments 30%

Special funds 5%

QUESTION THREE (20 MARKS)

The County Government of Makuen in an effort to boost its revenue base, decided to acquire a tractor that will be hired out to farmers at affordable charges. The tractor will cost Ksh. 4,600,000 and will generate an annual net cash inflow of Ksh. 180,000 for six years. The cost of borrowing to procure the tractor is 10%

Required:

Use the profitability index technique of investment appraisal to advise the governor (20 marks)

QUESTION FOUR (20 MARKS)

(a) The balances below were extracted from the county government treasury for the month of March, 2016:

	sh. "000"
Reserve fund	33,500
Cash at hand	53,000
Bank overdraft	5,700
Revenues (Recurrent/ capital)	158,500
Expenditure (Recurrent/ capital)	125,390
Loans	200,000
Deposits into (County government treasury)	23,450
Advances (Granted by county government)	25,560
Investments	15,200
Suspense accounts	202,000

Required: Prepare a trial balance for the month ended 31st, March 2016. (14 marks)

(b) Explain the term "vote" as used in public sector accounts. (6 marks)

QUESTION FIVE (20 MARKS)

In your own words, explain what governs the regulatory framework of public sector accounts in Kenya. (20 marks)