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**GARISSA UNIVERSITY**

**UNIVERSITY EXAMINATION 2020/2021 ACADEMIC YEAR THREE**

**SECOND SEMESTER EXAMINATION**

**SCHOOL OF BUSINESS AND ECONOMICS**

**FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: BBM 300**

**COURSE TITLE: PUBLIC SECTOR ACCOUNTING**

**EXAMINATION DURATION: 2 HOURS**

**DATE: 09/04/2021 TIME: 09.00-11.00 AM**

**INSTRUCTION TO CANDIDATES**

* **The examination has FIVE (5) questions**
* **Question ONE (1) is COMPULSORY**
* **Choose any other TWO (2) questions from the remaining FOUR (4) questions**
* **Use sketch diagrams to illustrate your answer whenever necessary**
* **Do not carry mobile phones or any other written materials in examination room**
* **Do not write on this paper**

**This paper consists of FOUR (4) printed pages *please turn over***

**QUESTION ONE (COMPULSORY)**

1. In accounting for Central Government and County Government units, a fund called Capital Project Fund is usually created. What is the purpose of this fund? (**5 Marks)**
2. The **County Government of Tana River** authorizes the construction of a new county hall on 1 January 2018. This hall is expected to cost sh.100, 000,000. Financing for the project is to be Sh50,000,000 from 6½ per cent serial bond issue, Sh.40,000,000 from a Government Grant, and Sh.10,000,000 from the general fund (GF). **Transactions and events during 2018 are as follows:**
3. The county Government Transfers Sh.10,000,000 from the GF to the County Hall Capital Project Fund (a CPF created for the construction).
4. Planning and architect’s fees are paid in the amount of Sh.4,000,000.
5. The contract is awarded to the lowest bidder for Sh.95,000,000.
6. The bonds are sold for Sh.50,200,000.
7. The amount of the premium is transferred to the debt service fund.
8. The construction is certified to be 50 percent compete and a bill for Sh.47,500,000 is received from the contractor.
9. Contracts payable, less a 10 percent retained percentage, is paid.
10. The books are closed and financial statements are prepared.

**Required:**

1. Journal entries to record the above transactions. **(10 Marks)**
2. Financial statement of the capital project fund for the year 2018. **(10 Marks)**
3. The Ministry of Trade and Commerce had the following estimated revenues to collect during the financial year ended 30 June 2018. Sh.

Hotel and Restaurant licenses 900,000

Cattle trader’s licenses 1,000,000

Licenses under Trade Licensing Act 765,000

Liquor licenses 500,000

Professional licenses 75,000

Licenses for registration of Insurance Companies 320,000

During the year and prior to any issue of licenses, it was found necessary to suspend the issue of liquor licenses and professional licenses. The Receiver of Revenue further found out that more people were interested in scrap metal business. The Treasury authorized the Receiver of Revenue to open a new head for scrap metal licenses with an estimated collection of Sh.955, 000.

At the close of the financial year, the Receiver of Revenue had collected the following amounts:

 Sh.

Hotel and Restaurant licenses 1,131,250

Cattle trader’s licenses 2,261,250

Licenses under Trade Licensing Act 705,000

Liquor licenses –

 Professional licenses –

Registration of insurance companies 255,000

Scrap metal licenses 1,117,500

The Receiver of Revenue had provided the following additional information:

* 1. The ministry had a balance of Sh.33,750 at the beginning of the financial year.
	2. An amount of Sh.335,000 in respect of scrap metal licenses was still in the hands of agents as at 30 June 2018. (iii) A sum of Sh.8,750 was due to the Exchequer at the end of the year.

**Required**

(a) A Statement of Assets and Liabilities for the year ended 30 June 2018 **(5 Marks)**

**QUESTION TWO [20MARKS]**

1. Define the term fund as used in Public Sector Accounting **(2Marks)**
2. Outline the role played in Government accounting by:
3. The Public Accounts Committee **(3Marks)**
4. The controller and auditor general **(3Marks)**
5. The government Ministries Accounting Officers **(3Marks)**
6. In relation to fund accounting, explain what is meant by the following special funds and explain fully how they are operated.
7. Revolving funds **(3Marks)**
8. Trust funds **(3Marks)**
9. Sinking funds. **(3Marks)**

**QUESTION THREE [20MARKS]**

1. One of the principle differences between non-profit and commercial organizations is that they have different reasons for their existence. Consequently, non-profit making organizations follow some accounting principles which differ from accounting principles followed by commercial organizations. You are asked to state which are the principles followed by non-profit making organizations and why you think they are more appropriate than corresponding principles applicable to commercial organizations.  **(9Marks)**
2. (i) “Without the profit motive there is an inevitable lack of budget motive”. Do you agree? **(3Marks)**

(ii) Explain the administrative and accounting controls used to achieve the budgeted level of expenditure by the Government Ministries. **(3Marks)**

1. Compare and contrast the role of an accountant in a governmental accounting with that of an accountant in commercial accounting. **(5Marks)**

**QUESTION FOUR [20MARKS]**

1. Explain **FOUR** modalities for making payments out of the Consolidated Fund. **(4 Marks)**
2. The Controller and Accountant General or an officer appointed by him has the legal authority to reject a requisition submitted by Ministries, Departments and Agencies (MDAs) for payment.

**Required:**

Explain **FOUR** circumstances that will compel the Controller and Accountant General or an officer appointed by him to reject a requisition submitted by an MDA for payment. **(4 Marks)**

1. The following information relates to a governmental unit for the fiscal year 2019/2020.

Gross estimates: Ksh.720,000

Appropriation-In-Aid estimated: Ksh.90,000

Drawings from the exchequer Ksh.450,000

Actual gross expenditure Ksh.520000

Actual appropriation-in-aid Ksh.120,000

**Required**:

1. Prepare the following accounts:
2. General Account of vote (GAV) **(3Marks)**
3. Exchequer A/C **(3Marks)**
4. Paymaster General Account (PMG) **(3Marks)**
5. Statement of assets and liabilities as at 30 June 2019 **(3Marks)**

**QUESTION FIVE [20MARKS]**

1. Discuss the role and functions of the Treasury and its relationship with other Government department, in planning and controlling government expenditure (**8Marks)**
2. Discuss the main reasons for the growth in public expenditure***.* (4Marks)**
3. i). Explain the term ***Revenue Management.***

ii). Identify **THREE** procedures involved in Revenue Management. (**4Marks)**

1. Budget hearing is a critical activity in the budget process which is conducted to review strategic plans and estimates of the departments in order to ensure that these plans and estimates are in accordance with government’s macroeconomic policy framework.

**Required**:

Explain **FOUR** significant principles of Budget Hearing that ensures that Ministries, Departments and Agencies (MDAs) prepare their budget proposals in accordance with the government macroeconomic policy framework. **(4Marks)**