



(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2020/2021 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER

MAIN EXAMS

**FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION
IT**

COURSE CODE: MBT834E

COURSE TITLE: PUBLIC SECTOR ACCOUNTING

DATE: 26TH NOVEMBER, 2021 TIME: 2.00PM - 5.00PM

INSTRUCTIONS TO CANDIDATES

**ANSWER QUESTION ONE AND ANY OTHER THREE (3)
QUESTIONS**

TIME: 3 Hours

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 7 Printed Pages. Please Turn Over.

QUESTION ONE

- a) Budgetary Accounting Technique is widely adopted by public sector organizations. Drawing cases from the county governments in Kenya, describe **FIVE** major challenges this accounting technique is facing in an attempt to effectively and efficient manage public financial resources in Kenya. **(10 mks)**
- b) The ministry of Inland Revenue had the following estimated revenue to collect during the financial year **ended** 30.6.2004.

Revenue head.10-130 licenses	£
011 - Hotel & restaurant licenses	18,000
012-Cattletradinglicenses	20,000
013- Licenses under trade licence Act	15,300
014- Liquor licences	10,000
021 -Electricians licences	1,500
022- Registration of banks	6,400

During the year and before any licences had been issued it was found necessary to suspend the issue of liquor and electricians licenses. The receiver of revenue further found out that more people are interested in "scrap metal" business. The treasury authorized the receiver of revenue to open item No. 31- scrap metal licenses with an estimated collection of £19,100 under supplementary No.1. At the close of the financial year, the receiver of revenue had the following figures in his ledger cards;

	£
011 - Hotel & restaurant	22,625
012- Cattle traders licenses	45,225
013-Licenses under trade licence Act	14,100
014-Liquorlicences	-
021 - Electricians licences	-
022-Registrationofbanks	5,100
031- Scrap metal licenses	22,350

The receiver of revenue had the following additional information;

- I. The ministry had a balance of £675 for 2003
- II. An amount of £6700 in respect of scrap metal licenses was still in the bands of agents as at 30th June 2004
- III. The accountant informed that he had a sum of £175 due to exchequer.

Required;

- i) Prepare a statement of revenue for the year ended 30.6.2004 **(12mks)**
 - ii) Indicate on any item where you feel a foot note would be necessary. **(3mks)**
- c) Most state corporations in Kenya have been performing very poorly. Outline any five reasons to justify why these corporations should be privatized **(3mks)**

QUESTION TWO

- a) Describe the movement of money from the consolidated fund upto the point its disbursed to a contractor which sunk a borehole serving your community now. Support your answer with appropriate ledge accounts. **(10mks)**
- b) Record the following transaction in the cash book for the month of January, 2004. **(10mks)**
- 2nd - Opening balance b/f cash sh. 4000 and bank she. 25,000
 - 2nd - Received sh. 6,250 (cheques) in respect of trading licences.
 - 3rd - Paid Peter & Sons shs.2,300 (cheque No.251)for goods supplied
 - 5th - Received sh. 250 in respect of fee
 - 5th - Paid telephone charge (cheque 252) sh. 870
 - 6th -Paid to A.B Garage sh. 5,200 (cheque 253) for repairs of government vehicles.
 - 6th - Paid cash to James Lutava sh. 280 (cash) in settlement of claim for travelling expenses.
 - 8th - Cheques for sh. 2100 received in respect of license,
 - 9th - Paid wages sh. 500 to A. Robert in cash
 - 10th - Keep a cash balance of sit 1,000, bank the rest of the cash together with all the cheques on hand and rule off the cash book,

QUESTION THREE

- a) Explain Fund Accounting Theory and justify why it is used in Public Sector Accounting **(10mks)**
- b) The following estimate and expenditure relates to the Ministry of Urban Development as at 30th June 2004.

Item No.	Approved estimate K£	Actual Expenditure
001— Personal emoluments	145,000	120,423
050— House Allowance	22,000	16,396
080— Passage leave allowance	2,400	3,874
060— Travelling allowance	3,900	6,931
190— Purchase of plants & Equipment	200,000	180,000
250— Maintenance costs	10,000	23,596
650— Appropriation In-aid (AIA)	300	150

Required

Prepare Appropriation Account for the year ended on 30th June 2004 **(10mks)**

QUESTION FOUR

- a) Over the last four years, the Kenya Revenue Authority has consistently missed its revenue targets. This has seen the country present budget shortfalls which is closed by recourse to borrowing either from abroad or domestically. Outline **FIVE** advantages of borrowing and demerits of domestic approach. **(10mks)**
- b) For the financial year ended on 30.6.2007, the Ministry of Public Works had the following budget;

(K£. Million)

Gross expenditure	750
Appropriation – In – Aid	36
Net vote	714

In the course of the year assume the actual results were as budgeted;

Required:

Show how the above information was recorded in the accounts of the Ministry.

- i) G.A.V **(2mks)**
- ii) P.M.G Account **(2mks)**
- iii) exchequer account **(2mks)**
- iv) Expenditure account **(2mks)**
- v) A.I.A Account(10mks) **(2mks)**