



(Knowledge for Development)

**KIBABII UNIVERSITY  
UNIVERSITY EXAMINATIONS**

**2021/2022 ACADEMIC YEAR**

**THIRD YEAR FIRST SEMESTER**

**MAIN EXAMINATION**

**FOR THE DEGREE OF BACHELOR COMMERCE**

**COURSE CODE: BCA 312**

**COURSE TITLE: PUBLIC SECTOR ACCOUNTING**

**DATE:** 25<sup>TH</sup> JANUARY 2022      **TIME:** 9.00AM - 11.00AM

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**INSTRUCTIONS TO CANDIDATES**

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B
2. Question **one** carries **30** marks and each of the other two questions carry **20** marks each.

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

**SECTION A (COMPULSORY)**

**QUESTION ONE (30mks)**

- a) You have just been posted to the office of the Accountant General Expenditure unit. The unit is responsible for the consolidation of Government Accounts. You have been asked to analyze the information given below in the Trial Balance of the consolidated fund for the year ended 31 December, 2017.

	Dr	Cr
	Kshs. '000'	Kshs.'000'
Salaries -superscale	6,760	
	2,010	
	230	
	3,350	
	1,260	
	750	
	1,040	
	1,450	
	1,740	
	250	
	410	
	560	
	2,470	
		7,330
		5,010
		2,320
		150
		310
		700
		430
		11,120
		13,460
		7,460
		19,660
	910	
	44,760	
	67,950	
		67,950

**Additional information**

1. The current chart of accounts based on the GPS 2001 is used to classify revenues and expenditure.

2. VAT of KSHS. 50M was due to government but was not received by government but was not received by government as at 31 December 2017.
3. A grant agreement signed 2016 by the GOK and the Swedish Embassy for the purchase of various medical supplies for hospitals was received and paid for in November 2017.

**Required:**

Using the information from the Trial Balance prepare a statement of Financial Performance for the consolidated fund for the year ended 31 December 2017. (20mks)

- b) Define the following terms as used in Public Sector Accounting and two examples of each classification
  - i) Financial assets (3mks)
  - ii) Non-financial liabilities (3mks)
- c) Using cash basis IPSAS of Accounting outline mandatory disclosure requirements for presentation of financial statements (4mks)

**QUESTION TWO (20mks)**

- a) The payroll management and Establishment control (PMEC) system is an integrated payroll system that enables government to efficiently and effectively manage the government payroll.

**Required:**

- i) Briefly describe the main features of an integrated payroll system (3mks)
- ii) Identify users of Public Sector Financial information and state why this information is useful (5mks)
- b) The government chart of accounts is a detailed classification of government revenue and expenditure.

**Required:**

- i) Briefly explain why it is important to classify government accounts (10mks)

**QUESTION THREE (20mks)**

Debt management is a key component of Public Finance Management that enables the government meets its financing needs at minimum costs and within acceptable levels of risk. One of the diagnostic tools that government uses in managing its debt portfolio is to annually conduct a Debt Sustainability Analysis (DSA).

- a) Explain what constitutes "Total Public Debt?" (2mks)
- b) Define the term Debt Sustainability and state the main objective of conducting a Debt Sustainability exercise (5mks)

- c) Explain the benefits of conducting an annual DSA (10mks)
- d) Explain the actions which can be taken to reduce accumulation of debt (3mks)

#### QUESTION FOUR (20mks)

Professional Accountants are faced with various threats and challenges in the work environment.

**Required:**

- a) Identify threats that professional accountants face in the work environment (10mks)
- b) Identify measures that can be implemented in the work environment to reduce threats to acceptable levels.

#### QUESTION FIVE (20mks)

- a) Public procurement is guided by universal principles and code of conduct to ensure efficient and effective use of public resources.

**Required:**

- i) Define the term procurement. (2mks)
- ii) Briefly describe the fundamental principles of public procurement and state reasons why the process is key to Public Finance Management. (8mks)
- b) The accountant is in charge of the Expenditure unit and assists the Director of Finance in the ministry of Finance to set up a budget committee. You have been asked to review the recently issued 2019-2021 budget call circular. As the secretary to the budget committee, you have been asked to make a presentation to the members of the committee covering the following issues:

**Required;**

- i) Briefly explain the Medium Term Expenditure Framework (MTEF). (5mks)
- ii) Briefly explain the budget call circular and explain the difference between call circular and the MTEF (3mks)
- iii) Briefly describe two methods of budgeting that government can use in preparing the annual budgets. (2mks)