

KABARAK



UNIVERSITY

UNIVERSITY EXAMINATIONS

2014/2015 ACADEMIC YEAR

FOR THE DEGREE OF BACHELOR OF COMMERCE

ACCT 423: ACCOUNTING FOR PUBLIC AGENCIES

DAY: WEDNESDAY

DATE: 15/04/2015

TIME: 9.00 – 11.00 A.M.

STREAM: Y4S2

INSTRUCTIONS:

➤ ANSWER ALL QUESTIONS

MARKS FOR EACH QUESTION ARE INDICATED AT THE END OF EACH QUESTION

You are provided with the following vote heads

- 00 personal emoluments
- 050 House allowance
- 080 passage and leave
- 100 travelling and accommodations
- 110 Transport and maintenance
- 120 postal and telegram expenses
- 121 telephone expenses
- 130 official entertainments

140	miscellaneous charges
174	Stationary
196	Training expenses
230	Purchase of equipment
620	AIA (realized income)
630	Renting building and equipment
651	Aviation landing fee
652	Airport receipts
670	Other airport receipts

QUESTION ONE

a. Explain the following terms i. exchequer ii. Consolidated fund iii. General Account of Votes IV. Encumbrances v. Vote Book VI. Pay Master General vii Appropriation in Aid viii. Authority to incur expenditure ix. Fund accounting x. Pension fund (10 marks)

b. The government unlike commercial enterprises accounts for its funds through commitment accounting (encumbrances). You have been given the following details concerning a government unit and are required to prepare commitment account (vote book) and determine the available balances for further commitments. (10 marks)

On 1 July 2013 The ministry ordered for books worth sh. 15,000,000 LPO No 1230

On 3rd July the ministry further committed itself to buy iron sheets worth sh. 3,500,000 for a school that had its roof blown off by wind via LPO 1231 and paid for transport of the iron sheets of sh. 12500 PV No 000

On 2 August 2013 the ministry paid for telephone expense sh. 34,000 and made an order for equipment worth sh. 5,500,000

On 3rd September the ministry received sh. 200,000 from land rent

On 15th January 2014 the ministry committed itself to a transport arrangement where the contracted would transport the school books to different destinations through an LPO 1232 of 200,000

On 20th January 2014 the ministry paid sh. 5,000,000 for the books and sh. 50,000 for transport through PV No 002 and 003 respectively.

On 28th January 2014 the ministry paid for travelling and accommodation sh. 230,000, Official entertainment sh. 150,000 House allowance sh. 353,000 personal emolument sh. 500,000, postal and telegram expenses of sh. 23,000 passages and leave sh. 300,000 Training expenses 500,000 and stationary sh. 50,000 via payment vouchers 004-011 respectively

On 5th February 2014, the ministry committed to buy equipment worth 3,500,000 and to pay transport of sh. 75,000 via LPO 1233 but paid in cash procurement and negotiation fees of sh. 250,000 payment voucher 012. The ministry paid a down payment of 1,000,000 shillings

QUESTION TWO

The following transactions took place in a government unit in the month of September 2014

Cash balances at the beginning of the month Bank 20,000,000 cash 8,900,450 shillings. The unit paid in, Kenya shillings, for personal emolument amounting to 2,545,000, official entertainment 250,000, purchases of computers 5,800,000, house allowances 2,500,000 pensions contributions 2,000,000 NHIF contributions 1,200,450 by cheque on 1st Sept 2014. The unit also received cash from license renewals of 4,550,450, Rental income 4,540,000, Renting of equipment 2,500,000, Aviation landing fees 20,350,000. Out of the cash receipts half was banked on receipt on 5th September 2014. The unit has the right to spend 20 percent of their receipts as AIA. Which they used by paying for passage and leave 2,300,000, transport and maintenance 1,500,000, miscellaneous charges 850,890, stationary 1,235,000 and the balance was used to buy materials and equipment on 8th, 10th, 11th and 15th of September 2014 respectively. The Unit was found to have committed wrongful dismissal of workers and was required to pay the former employees a total of 15,000,000 which it did on five equal installments on 16th, and 30th of September and the balance was paid in the following month.

Required

Write the cash book including all details available in the month and determine the closing balances. (10 marks)

Explain the difference between consolidated fund, exchequer and how are they operated. (5marks)

What is the role of parliament as far as the exchequer and the consolidated funds are concerned (5 marks)

QUESTION THREE

Accounting as a social science is guided by practice consensus and standards and these are well developed in the commercial sector. In the public sector some accounting concepts have had to

be adopted to fit the needs of public sector accounting. Some of these include; going concern, accrual basis,

Required

1. Explain how the above accounting concepts are used in public sector accounting.
(5 marks)
2. How is the concept of historical costing applied in public sector accounting (5 marks)
3. The fact that public sector accounting is not for profit means that the reasons and purposes of accounting for public sector are different from those of commercial enterprises. How does the absence of a profit motive affect accounting for in the public sector?
(10 marks)