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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR**  
**FOURTH YEAR, SECOND SEMESTER EXAMINATION**  
**FOR THE DEGREE OF BACHELOR OF SCIENCE**  
**(BUSINESS ADMINISTRATION)**

Date: 12<sup>th</sup> August, 2024  
Time: 8.30am – 10.30am

**KAC 2406 PUBLIC SECTOR ACCOUNTING**

**INSTRUCTIONS TO CANDIDATES**

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**ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

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**QUESTION ONE (30 MARKS)**

**CASE STUDY: COUNTY GOVERNMENT OF NAIROBI**

At the inaugural meeting of the Public Accounts Committee (PAC) of the County Government of Nairobi, the newly sworn-in Chairman declared openly that he was not comfortable with the reports, records, and financial statements he had perused when he took over the chairmanship of the Council. According to him, the basis of the preparation of most of the documents was unacceptable. The Chairman, Dr. Edwin, is a medical doctor, who claimed to be a technocrat. He had served on the Board of Directors of some profit-making outfits. He currently has two functioning trading outfits and a small-scale manufacturing concern. He told the other council members and management staff present at the meeting that he was currently studying the following documents, which he bought about four months ago:

- The Corrupt Practices and Other Related Offences Act;
- The Public Procurement Act;
- The 2010 Constitution of the Republic of Kenya;
- The Independent Corrupt Practices and Other Related Offences Act; and
- The Economic and Financial Crimes Commission Act.

The Chairman is familiar with the published accounts of banks and companies in which he had invested money. He was, however, not conversant with the financial reports of government establishments. The Chairman has spent time going through the last few years financial reports and statements of the Council and comparing them seriously with those of trading/commercial outfits. He kept his mind open at the meeting and specifically gave the new committee the following assignments to answer these following posers:

- Why the Council did not prepare a Profit and Loss Account;
- Why the Council had not been declaring dividends;
- Why the Council did not register with the Corporate Affairs Commission; and

- Why the Council did not hold Annual General Meetings just as public quoted companies or profit-making outfits?

As the Chairman of the newly inaugurated PAC, you are required to outline reactions to the posers raised by the Council Chairman, for discussion at the imminent meeting of your committee.

### **Required**

- Differentiate between the objectives of public sector accounting and commercial accounting. (5 Marks)
- Discuss three main roles the public sector can play in this economy. (5 Marks)
- Explain the role of the Public Accounts Committee. (5 Marks)
- Highlight different accounting techniques applied by public sector organizations. (5 Marks)
- Discuss the benefits of the International Public Sector Accounting Standard (IPSAS) to organizations that use it. (5 Marks)
- Outline the causes and likely consequences of widespread deficit financing among the various county governments in Kenya. (5 Marks)

### **QUESTION TWO (20 MARKS)**

- Describe the Appropriation in Aid. (4 Marks)
- As an accountant with the Ministry of Lands, you are provided with the following information for the fiscal year 2018/1019 as follows:

	<u>Kshs.</u>
Gross Estimated Expenditure	780,000
Estimated Appropriation in Aid	<u>60,000</u>
Net Estimated	<u>720,000</u>
Drawings from the Exchequer	630,000
Gross Expenditure	590,000
Actual Appropriation in Aid	65,000

### **Required**

Prepare the following accounts:

- The General Account of Vote (5 Marks)
- The Exchequer Account (4 Marks)
- The Paymaster General (Cash) Account, and; (3 Marks)
- Statement of Assets and Liabilities as at 30<sup>th</sup> June 2019. (4 Marks)

### **QUESTION THREE (20 MARKS)**

- a) You are provided with the following information showing the Authority granted to the County Director of Public Works – Nakuru County to Incur Expenditure on account code 150- Building and Construction Expenses with an Allocation of Kes.300,000:

Transactions (April, 2018)

1. April. 1. 2013: Ordered cement from Mache Hardware Stores Ltd KES.80,000/- (L.P.O.5213)
2. April. 6. 2013: Paid KES.10,000/- for a lorry hire to transport cement (P.V.357)

Transactions (May, 2018)

1. May.10.2018: Paid Mache Hardware Stores Ltd KES.50,000/- being part payment for cement ordered through LPO 5213 (P.V.358)
2. May.15.2018: Bought sand from Mawe Co. for KES.15000/ (P.V.359)
3. May.20.2018: Issued L.P.O.5214 to C.K. Patel & Sons for roofing sheets for KES.60000/-
4. May.25.2018: Made part payment to C.K. Patel & Sons for roofing sheets ordered through LPO 5214 for KES.35000/- (P.V.360)
5. May.31.2018: additional payment to Mache KES.20000/- for cement ordered through LPO 5213 (P.V.361)

Required:

- i) Record the above transactions in the vote book (8 Marks)
  - ii) Determine the expendable amount in the vote on 31st May 2018 and comment on the commitment thereto. (6 Marks)
- b) Discuss the purpose of the analysis cashbook. (6 Marks)

### **QUESTION FOUR (20 MARKS)**

- a) Explain the objectives of public sector accounting. (6 Marks)
- b) Discuss the users of the accounting information provided by the Government Financial Accounting Statements. (6 Marks)
- c) Briefly explain the concept of Cash Basis of Accounting and state Four advantages and Three disadvantages inherent in such a system. (8 Marks)

### **QUESTION FIVE (20 MARKS)**

The International Public Sector Accounting Standard (IPSAS 25) states that Employee Benefits are all forms of consideration given by an entity in exchange for service rendered by employees. This standard applies to all public sector entities other than Government Business Enterprises.

Required:

- a) Identify three categories of employee benefits that are included in this standard. (6 Marks)
- b) Explain the concept of Government Business Enterprises. (4 Marks)
- c) Discuss the Defined Contribution Plans. (2 Marks)
- d) Identify four differences between International Public Sector Accounting Standard 25 and International Accounting Standard (IAS) 19 on Employee Benefits. (8 Marks)