



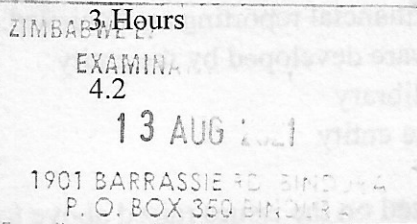
ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

DEPARTMENT OF ECONOMICS AND BUSINESS SCIENCES

EXAMINATION PAPER

COURSE CODE : CAC 410
COURSE TITLE : PUBLIC SECTOR ACCOUNTING 2
SPECIAL REQUIREMENTS :
DURATION : 3 Hours
LEVEL : 4.2
DATE : 13 AUG 2021



INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Answer all questions.
3. Begin each question on a new page.
4. The number of marks for each question or part question is shown in brackets []
5. Non programmable calculators may be used

Question One

- a) An Accounting Trainee has been given an assignment to prepare a complete set of financial statements of a public sector entity from data set provided by the Director of Finance. The Trainee prepared the financial statements to the admiration of the Director, except that no notes to the financial statements were provided. The Director made him aware that the notes to the financial statements are essential component of the financial statements whether applying the cash basis of accounting or accrual basis of accounting as it enhances the usefulness of the financial reports to users. The Trainee has been directed to you to educate him further on the relevance of notes to the financial statements.

Required:

Write out your explanatory notes to the Trainee, the usefulness of notes to the financial statements and the information that should be included in the notes to the financial statements of a public sector entity. [4 marks]

- b) Formulate accounting policies on the following items relating to the financial statement of the public sector entities.

i) Land and Building

ii) Inventories [6 marks]

- c) Measurement of assets for recognition in the financial statements is a critical consideration in financial reporting and has been problematic in the public sector given the nature of assets involved. A public sector organization is currently in transition from cash basis accounting to accrual basis accounting which requires measurement and recognition of all assets in the general-purpose financial reports. Of much concern to the entity is how to select the appropriate measurement basis for the assets of the entity listed below to ensure that the objectives of financial reporting are achieved:

- Human resource software developed by the entity
- Stock of books in the library
- Vehicles donated to the entity

You have been consulted on the issues raised above to help the entity choose appropriate measurement for the recognition of the above listed assets.

Required:

In line with the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* issued by *International Public Sector Accounting Standards Board (IPSASB)*:

- i) Discuss the objective for the measurement of assets in financial statements that should guide the choice of measurement bases for asset recognition. [4 marks]

- ii) Suggest an appropriate measurement basis for each of the assets indicated above, and discuss how your selected measurement basis meets the objectives of measurement in each case. [6 marks]

[Total 20 marks]

Question Two

a) The following Trial Balance relates to Bunsu Education College, a public tertiary educational institution in Ghana, as at 31/12/2020.

| | DR \$'000 | CR \$'000 |
|---------------------------------------|--------------------------|--------------------------|
| Fees Income | | 4,575,622 |
| Establish Post Allowance | 5,312,430 | |
| Consultancy Fees | 856,670 | 655,600 |
| Legal Cost | 25,059 | |
| GOG grant | | 1,540,000 |
| Consultancy Cost | 565,500 | |
| Non- Establish Post | 1,253,600 | |
| Seminars cost | 500,000 | |
| Sponsorship | 8,100 | 9,066,828 |
| Receivables | 468,050 | |
| Payables | | 182,840 |
| 20% loan | | 8,600 |
| Books and Research Allowance | 150,765 | |
| Plant and Machinery | 3,000,000 | 250,000 |
| Motor Vehicle | 2,505,000 | 352,000 |
| Building | 12,300,000 | 756,000 |
| Software | 995,500 | 150,000 |
| Other Incomes | | 211,430 |
| Project Work Supervisory Allowance | 48,500 | |
| Cash and Bank | 294,233 | |
| Training and Workshop cost | 104,000 | |
| Bad debt provision (student fees) | | 4,940 |
| Work In Progress | 8,251,735 | |
| Other Expenses | 71,000 | |
| Withholding Tax | | 90,500 |
| Accumulated Fund | | 11,205,270 |
| Utilities Bills | 560,053 | |
| Proceeds from Sale of Admission Forms | | 9,196,270 |
| Superannuation | 278,500 | |
| End of Service Benefits | 298,040 | |
| Stationery Stock | 399,165 | |
| | <u>38,245,900</u> | <u>38,245,900</u> |

Additional information:

- i) The college has adopted the accrual basis International Public Sector Accounting Standards (IPSAS) as the basis for the preparation of its financial statements.
- ii) Stationery stock as at 31/12/2018 was \$200,500,000 but have a Net Realisable Value of \$155,254,000
- iii) Social benefits of \$1,720,000 yet to be paid during the year was included in the Work In Progress value. Consultancy cost amounting to \$234,500,000 was incurred but not yet paid.
- iv) Books and Research Allowance was received from Government during the period amounting to \$337,530,000 for disbursement to qualified Lecturers and Administrative staff.

- v) Provision is to be made for interest on loans.
- vi) 60% of the receivables represent an amount of students' fees outstanding as at 31/12/2017. Provision for doubtful debt is estimated to be 5% of outstanding school fees.
- vii) The university uses straight line basis of depreciation for Capital Assets. Capital Assets and their useful lives are detailed out below:

| Assets | Useful Life |
|---------------------|-------------|
| Plant and Machinery | 8 years |
| Motor Vehicle | 5 years |
| Building | 50 years |
| Software | 7 years |

Required:

- i) Prepare a Statement of Financial Performance for Bunsu Educational College for the year ended 31/12/2020. [8 marks]
 - ii) Prepare a Statement of Financial Position as at 31/12/2020. [6 marks]
- b) With reference to *IPSAS 3: Accounting Policies, Changes in Estimates and Errors*;
- i) Explain the guiding principles for formulating accounting policy. [2 marks]
 - ii) The conditions that mandate a change in accounting policy. [2 marks]
 - iii) The treatment of changes in accounting policy required by IPSAS 3. [2 marks]

[Total 20marks]

Question Three

- a) Value for Money (VFM) is derived from the optimal balance of benefits and costs on the basis of total cost of ownership. The nature of public financial management is such that it involves discretionary decision taking on behalf of government at all levels. Value for Money is therefore not a choice of goods or services which is based on the lowest bid price but a choice based on the whole life costs of the project or service.

Required:

Identify and explain **FOUR (4)** mechanisms that can be used to achieve “*value for money*” in public sector management. [8 marks]

- b) The financial information below relates to the Consolidated Fund of Ghana.

Statement of Financial Position of the Consolidated Fund as at December 31, 2018

| | 2018 S'million | 2017 S'million |
|------------------------------|-------------------|-------------------|
| Non-Current Assets | | |
| Property Plant and Equipment | 4,200 | 5,600 |
| Equity investment | <u>10,000</u> | <u>12,000</u> |
| Total Non-current assets | <u>14,200</u> | <u>17,600</u> |
| Current Assets | | |
| Work in progress | 2,500 | 2,000 |
| Receivables | 1,100 | 900 |
| Cash and cash equivalent | 3,250 | 2,980 |

| | | |
|----------------------|----------------------|----------------------|
| Other assets | 450 | 600 |
| Total current assets | <u>7,300</u> | <u>6,480</u> |
| Total assets | <u>21,500</u> | <u>24,080</u> |

Funds and Liabilities

| | | |
|--------------------------------|----------------------|----------------------|
| Accumulated Fund | (111,280) | (111,620) |
| Current Liabilities | | |
| Payables | 1,600 | 19,000 |
| Trust monies | 2,540 | 2,300 |
| Domestic loans | <u>11,240</u> | <u>12,500</u> |
| Total Current Liabilities | <u>15,380</u> | <u>33,800</u> |
| Non-Current Liabilities | | |
| Domestic loans | 52,000 | 43,000 |
| External loans | <u>65,400</u> | <u>58,900</u> |
| Total Non-Current Liabilities | <u>117,400</u> | <u>101,900</u> |
| Total Funds and Liabilities | <u>21,500</u> | <u>24,080</u> |

Additional Information:

- i) The total market value of all final goods and services produced domestically in Ghana for 2018 and 2017 fiscal year amounted to GH¢205,100,940,000 and GH¢185,600,400,000 respectively.
- ii) According to the Statistical Service data, the population of the country is estimated as 25,000,000 in 2018 and 23,900,000 in 2017.

Required:

- i) From the information above, compute for the two financial years, the following ratios:
 - Gross Debt
 - Net Debt percentage
 - Debt per Capita
 - Debt to Gross Domestic Product ratio
 - Total Asset to debt
 - Capital Asset per Capita

[6 marks]
- ii) Based on the ratios computed, write a report discussing and analysing the financial position of the Consolidated Fund to the Head of a “think tank” of a Civil Society Organisation for Financial Accountability.

[6 marks]

[Total 20 marks]

Question Four

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.

[10
marks]

- (a) Identify measures that can implemented in the work environment to reduce threats to acceptable levels. [10 marks]
[Total 20marks]

Question Five

Revenue collection is an important aspect of public financial management. This is due to the fact that the revenue collected finances government activities.

Required:

- a) Mention any **five** sources of government revenue. You should also state whether the sources are revenue from exchange or non-exchange transactions in line with IPSAS 9 *Revenue From Exchange Transactions* and IPSAS 23 *Revenue From Non-Exchange Transactions*. [10 Marks]
- b) Explain any **five** responsibilities which have been placed on revenue collectors in the public sector. [10 marks]

[Total 20marks]

END OF EXAMINATION QUESTION PAPER