



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 : 17 FEB 2022

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 public sector entity intends to prepare a statement of comparison of budget and actual amounts for the year ended 31 December 2020. The entity prepares the budget and financial statements on the same basis.

The following budget information has been provided:

	Original budget	Adjustments	Final budget
	2020	2020	2020
	\$'000	\$'000	\$'000
Revenue			
Property taxes	2,969,889	0	2,969,889
Public contributions and donations	45,000	-11,000	34,000
Fines, penalties and levies	912,150	-7,025	905,125
Licences and permits	15,100		15,100
Government grants and subsidies	2,157,450		2,157,450
Rendering of services	1,764,300	-623,400	1,140,900
Sale of goods	5,111,955		5,111,955
Finance income	208,400		208,400
Gains on disposal, rental income and agency fees	381,523		381,523
Total income	13,565,767	-641,425	12,924,342
Expenses			
Compensation of employees	6,156,950		6,156,950
Goods and services	4,092,334	-928,136	3,164,198
Finance cost	400,000	-16,752	383,248
Rent paid	17,000	-5,106	11,894
Taxation paid	1,050	1,250	2,300
Other payments	1,770,996		1,770,996
Grants and subsidies	51,751		51,751
Total expenditure	12,490,081	-948,744	11,541,337
Surplus for the period	1,075,686	307,319	1,383,005

The following information relates to actual results for the period:

	2020
	\$'000
Revenue	
Property taxes	2,693,949
Public contributions and donations	31,831
Fines, penalties and levies	890,835
Licenses and permits	20,736
Government grants and subsidies	2,157,454
Rendering of services	721,199
Sale of goods	4,628,596
Finance income	227,092
Gains on disposals, rental income and agency fees	157,641
Total income	11,529,333
Expenses	
Compensation of employees	5,457,164
Goods and services	2,967,449
Finance cost	331,697
Rent paid	11,895
Taxation paid	2,332
Other payments	78,147
Grants and subsidies	51,751
Total expenditure	8,900,435
Surplus for the period	2,628,898

Required :

Prepare a statement of comparison of budget and actual amounts for the year ended 31 December 2020 in accordance with IPSAS 24 *Presentation of Budget Information in Financial Statements*.

[20 Marks]

[Total 20marks]

Question Two

Explain the responsibilities of the following players in financial management according to the Public Sector Financial Management Act (2003) and the associated Treasury Instructions:

(a) Minister of Finance

[5 Marks]

- (b) Secretary to Treasury [5 Marks]
- (c) Other Ministers [5 Marks]
- (d) Controlling Officers [5 Marks]
- [Total 20 marks]

Question Three

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]

Question Four

An accounts assistant of a government body has prepared a list of balances as at 31 December 2015:

	\$'000
Property tax	3,765,313
Public contributions and donations	50,928
Fines, penalties and levies	1,425,336
Transfer from the Government	3,006,268
Proceeds from sale of machinery	360,000
Rendering of services	1,794,610
Sale of water and electricity	7,895,410
Rental revenue from facilities	231,789
Other income	265,210
Finance income from investments	271,360
Employee costs	560,000
Remuneration of councilors	80,000
Repairs and maintenance	1,760,000
Grants and subsidies	280,000
Bulk purchase of water and electricity	4,560,000
Other expenses	2,460,000
Finance costs	168,160

The following information is also available:

- (1) The agency classifies its receipts into taxation, external assistance, other grants and aid, other borrowings, capital receipts, trading activities and other receipts.
- (2) The agency's expenses are categorised into operations, transfers, capital expenditure, loan and interest payments and other payments.
- (3) The agency's cash balance on 1 January 2015 was K4,105,480.
- (4) The agency applies cash basis accounting in line with Government requirements.

Required:

- (a) Explain the difference between a cash basis of accounting and accruals basis of accounting. **[5 Marks]**
 - (b) Prepare a statement of cash receipts and payments for the agency for the year ended 31 December 2015. **[15 Marks]**
- [Total 20 marks]**

Question Five

Perseverence Group prepares its financial statements for the year ended 31 December 2020 in accordance with the IFRS, IAS and GAAP Financial information for 2020 (in thousands of currency units):

	2020	2019
	\$000	\$000
Accounts receivable	725	850
Trade payables	310	425
Inventory	625	550
<i>Increase</i> in other expenses payable—services	15	
<i>Increase</i> in wages and salaries payable	65	
<i>Increase</i> in accrued interest	2	
<i>Increase</i> in current tax payable	10	
<i>Decrease</i> in deferred tax—asset	7	
Purchases of inventory	5,425	
Sales revenue from the sale of goods and rendering services	16,540	
Other expenses—services	210	

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Wages and salaries expense	4,690
Interest expense	95
Income tax expense	205

The group classifies interest paid in operating activities and interest received in investing activities. In 2016 the group:

- borrowed (and received) \$590 (long-term loan)
- paid \$90 to settle long-term borrowing
- received interest of \$5
- paid \$265 for property, plant and equipment acquired
- received \$150 from the sale of equipment
- paid \$135 to acquire a software licence custom-made for its production process
- paid \$345 to acquire an investment property
- purchased a second investment property on credit for \$345
- paid \$110 as a reduction of financial lease liability.

The group had \$130 in cash and cash equivalents at beginning of the 2020 reporting period and \$5,940 in cash and cash equivalents at the end of the 2020 reporting period.

Required

Prepare the group's consolidated statement of cash flow for the year ended 31 December 2020 using the direct method of presenting operating cash flows. **[20 Marks]**

[Total 20marks]

END OF EXAMINATION QUESTION PAPER