



**ZIMBABWE EZEKIEL GUTI UNIVERSITY**

**FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**EXAMINATION PAPER**

**COURSE CODE** : CAC 401  
**COURSE TITLE** : PUBLIC SECTOR ACCOUNTING 1  
**SPECIAL REQUIREMENTS** : NONE  
**DURATION** : 3 Hours  
**LEVEL** : 4.1  
**DATE** :

**29 JUN 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) Some accountants hold the view that development of a Conceptual Framework for General Purpose Financial Reporting (simply, the Conceptual Framework) in the Public Sector is needless and a mere information overload on the Accountants. This argument is predicated on the fact that the Conceptual Framework does not establish authoritative requirements for financial reporting by public sector entities that adopts IPSAS, nor does it override the requirements of the International Public Sector Accounting Standards (IPSAS) or the Recommended Practice Guides (RPGs).

#### Required:

- i) Explain the connection between the Conceptual Framework on one hand and IPSAS and RPGs on the other hand. [4 marks]
- ii) Illustrate a practical case where the Conceptual Framework would be useful to an accountant in the preparation and presentation of a General Purpose Financial Report for his organisation. [5 marks]
- iii) Explain TWO (2) constraints on information included in the General Purpose Financial Reports [4 marks]
- b) In 2020 the Public Accounts Committee in Parliament of Zimbabwe was putting a lot of pressure on all public sector entities to migrate from cash accounting basis to accrual accounting basis and this was even suggested to Minister of Finance when the positive balance of payment he was celebrating in Parliament was as a result of lower imports as a result of foreign currency shortages and not improvements in exports. Explain why the committee was pushing for such a migration. [12 Marks]

[Total 25 Marks]

### Question 2

- a. Identify and discuss any five (5) overall considerations that you need to observe when preparing General Purpose Financial reports in terms of IPSAS 1. [10 Marks]
- b. What is an intangible asset in terms of IPSAS 31 [5 Marks]
- c. The following records have been taken from the trial balance of Murehwa Rural District Council a public entity for the year ended 31 December 2020

Buildings	6342
Buildings accumulated depreciation	2162
Inventories at 31 December 2019	1223
Receivables	100
Short term investments	90
Cash	420

Payables	369
Long term loans	400
Accumulated surpluses	840
Staff costs	1250
Electricity	30
Office stationery, etc.	15
Insurance	345
Bank interest charges	5
Investment income	20
Reserves	142
Revenue from admission charges	376
Grant for staff training	40
Donations	25
Other revenue	46
Government grant for operating expenses	1400
Capital contribution by government	4000

**Additional information**

1. Depreciation has not yet been accounted for. Use straight line method to depreciate assets over 20 years
2. The local authority has borrowing powers which it utilised on 1<sup>st</sup> October 2020. It borrowed \$400 in order to acquire a heritage artefact. The loan has not yet been accounted for. The repayment interval is annually at an interest rate of 8%. The loan is yet to be utilised.
3. The insurance payment covers the period 1<sup>st</sup> January 2020 to February 2021.
4. Salary negotiations concluded on 15<sup>th</sup> of December 2020 agreed that the salary agreement will be effective from 1<sup>st</sup> November 2020. The total increase is \$60 and has was not paid until January 2021.

**Required:**

Prepare a statement of financial performance for the year ended 31<sup>st</sup> December 2020

[10marks]

[Total 25 marks]

### Question Three

The Bursar at the University of Zimbabwe delegated the preparation on Non-Current Assets schedule to be included in the final accounts of the University for the year ended 31 December 2020 to the Deputy Bursar Finance and Admin. In discharge of the assignment, the deputy bursar reviewed the IPSAS, previous year's final reports, Non-Current Assets register and valuation reports and he was able to obtain the following information.

i.

Details	Cost or fair value as at 31/12/19	Accumulated Depreciation and Amortisation as at 31/12/20	Estimated Useful Life
Land and Buildings	\$500 000	\$50 000	50
Fixture and Fittings	\$180 000	\$72 000	10
Office Equipment	\$130 000	\$65 000	8
Plant and Machinery	\$190 000	\$95 000	10
Motor Vehicles	\$500 000	\$200 000	5
Computer Equipment	\$160 000	\$80 000	10
Equipment on Lease	\$105 000	\$42 000	5

- ii. It is the policy of the university to charge a full year depreciation on assets irrespective of the month of purchase or revaluation during the year while no depreciation is charged on assets disposed off during the year.
- iii. Equipment on lease are depreciated equally over the period of the lease.
- iv. Land and Buildings were professionally valued during the year by Romboard, an approved property valuer. The valuation which was based on open market prices produced surplus of \$150 000 over the carrying amount as at 1 Jan 2020.
- v. The University imported Plant and Machinery from China at a cost of \$430 500. Transportation and Installation costs to the university amounted to \$20 500.
- vi. The deputy bursar that prepared Non-Current Assets schedule last year classified some of the computer equipment purchased on May 15, 2019 costing \$26 000 as office equipment. A reclassification is required in the current year.
- vii. Office Furniture and Fittings costing \$12 250 were disposed during the year for \$11 500 which resulted in profit on disposal of \$750
- viii. University of Zimbabwe entered into a new equipment lease agreement with Ben Finance Ltd. The conditions of the lease as follows:
  - Principal sum \$45 000
  - Lease period 5 years
  - Lease payments \$10 000 p.a
- ix. During the year the University acquired a fleet of vehicles at the cost of \$50 000. The Ministry of higher and Tertiary education financed the acquisition.

**Required**

- a) Prepare the Non-Current Assets schedule for the university suitable for publication and as required by IPSAS 17 as at 31 December 2020. **[18 Marks]**
- b) Briefly outline the scope of IPSAS 17. **[7 Marks ]**

**[Total 25 Marks]**

#### **Question Four**

Mangwe Rural District Council (MRDC) is a public sector entity. It has been considering the accounting treatment of its intangible assets and has asked for your opinion on how the matters below should be treated in its financial statements for the year to 31 March 2014.

(i) Mangwe has developed and patented a new drug which has been approved for clinical use. The costs of developing the drug were \$5 million. Based on early assessments of its sales success, (MRDC) has estimated its market value at \$15 million.

(ii) Mangwe's drug manufacturing facilities have recently received a favourable inspection by government medical scientists. As a result of this the company has been granted an exclusive five-year licence to manufacture and distribute a new vaccine. Although the licence had no direct cost to Mangwe, its directors feel its granting is a reflection of the company's standing and have asked MRDC to value the licence. Accordingly, they have placed a value of \$10 million on it. As a result of this, the company has been granted an exclusive five-year licence to manufacture and to distribute a new vaccine.

(iii) In the current accounting period, Mangwe has spent \$3 million sending its staff on specialist training courses. Whilst these courses have been expensive, they have led to a marked improvement in production quality and staff now need less supervision. This in turn has led to an increase in revenue and cost reductions. The directors of Manyame Council believe these benefits will continue for at least three years and wish to treat the training costs as an asset.

(iv) In December 2013, Mangwe paid \$5 million for a television advertising campaign for its services that will run for 6 months from 1 January 2014 to 30 June 2014. The directors believe that increased sales as a result of the publicity will continue for two years from the start of the advertisements.

Required:

Advise on the accounting treatments of the above items in the financial statements for the year to 31 March 2014. The values given by MRDC can be taken as being reliable measurements. You are not required to consider depreciation aspects. **[25 Marks]**

**END OF EXAMINATION QUESTION PAPER**