



ZIMBABWE EZEKIEL GUTI UNIVERSITY
FACULTY OF LAW BUSINESS INTELLIGENCE AND
ECONOMICS

DEPARTMENT OF ACCOUNTING, FINANCE AND HUMAN CAPITAL
MANAGEMENT

EXAMINATION PAPER

COURSE CODE : CAC 415
COURSE TITLE : PUBLIC SECTOR ACCOUNTING 1
SPECIAL REQUIREMENTS : Calculator
DURATION : 3 Hours
LEVEL : 4.1
DATE : 14 JUN 2024

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue
2. Use of silent, non-programmable calculators is allowed
3. Answer all questions only
4. The number of marks for each question or part question is shown in brackets []

QUESTION 1

Stated below is a Presentation of Budget Information in Financial Statements Statement for the year ended 31 December 2021, of the Government in accordance with IPSAS 24.

Budget		Actual	Variance
\$'000		\$'000	\$'000
Revenue			
Tax Revenue	330,000	260,005	69,995
Non Tax Revenue	360,000	325,000	35,000
Grants	105,000	14,055	90,945
Other Revenue	87,000	25,500	61,500
Total Revenue	882,000	624,560	257,440
Expenditure			
Personnel Emoluments	375,000	337,000	38,000
Uses of goods & services	72,600	49,000	23,600
Financial charges - Interest	133,100	207,000	(73,900)
Debt Service	3,200	-	3,200
Non-Financial Assets - Capital	82,000	1,250	80,750
Other Expenditure payments	75,000	38,125	36,875
Total Expenditure	740,900	632,375	108,525
Surplus/deficit	141,100	(7,815)	

From the above information you are **required** to:

- Explain the difference between **tax revenue** and **non-tax revenue** . (4marks)
- Give **three** (3) examples of tax revenues and **two** (2) examples of non-tax revenues. (5 marks)
- Explain any **two** possible reasons for the difference between each of the following:
 - Actual Grants and Budgeted Grants (4marks)
 - Actual Tax Revenue and Budgeted Tax Revenue (4marks)
 - Actual Non-Financial Assets - Capital and Budgeted Non-Financial Assets – Capital (4marks)
 - Actual Debt Service and Budgeted Debt Service (4 marks)

[25 marks]

QUESTION 2

A socially responsible Parastatal decided to construct a tunnel that will link two sides of the village that was separated by a natural disaster Cyclone-Idai in Chimanimani. Realizing its role as a good corporate citizen, the Parastatal has been in this village for a couple of years

- c) Illustrate how the grantor will account for the service concession arrangement in its financial statements for Year 1 and Year 2. (12 marks)

[20 marks]

QUESTION 4

The following records have been taken from the pre-adjustment trial balance in the Ministry of Information, Communication Technology and Courier Services for the year ended 31 December 2022.

	\$'000	\$'000
Buildings	5,900	
Buildings accumulated depreciation		1,650
IT Assets	1,234	
IT assets accumulated depreciation		587
Inventories at 31 December 2016	888	
Receivables	90	
Short term investments	100	
Cash	540	
Payables		470
Long term loans		250
Accumulated surpluses		1,240
Staff costs	1,155	
Electricity and office expenses	40	
Bank interest charges	5	
Insurance	240	
General reserves		80
Revenue from charges to service users		425
Grant for software upgrades		75
Donations		120
Other revenue		125

exploring minerals in the nearby plain area. The tunnel would take two years to build and the total capital outlay needed for the construction would be not less than \$20 million. To allow itself a margin of safety, the Parastatal borrowed \$22 million from three sources and used the extra \$2 million for its working capital purposes (not on the Qualifying Asset)

Financing was arranged as follows:

- Bank term loans: \$15 million at 7.7% per annum obtained at the beginning of the year.
- Institutional borrowings: \$5 million at 8.8% per annum obtained at the beginning of the year.
- Corporate bonds: \$2 million at 9.9% per annum obtained at the beginning of the year.

Required,

- a) Identify any five borrowing costs that are included under IPSAS 5: Borrowing costs **(5 marks)**
- b) Explain the two allowed treatment of borrowing cost under IPSAS 5: Borrowing Cost **(4 marks)**
- c). Calculate the capitalization rate for use in the project. **(6 marks)**
- (d) Calculate the borrowing costs eligible for capitalization over the 2 years. **(6 marks)**
- (e). Calculate the total value of the tunnel after the 2 years. **(4 marks)**

[25 marks]

QUESTION 3:

A Road Construction company enters into a service concession arrangement (SCA) with the Ministry of Transport and Infrastructural Development and agrees to construct and operate a new modernised Harare- Mutare Tollgate. The fair value of the infrastructure/service concession asset is \$600 million. The service concession arrangement runs for 30 years and will commence at the beginning of Year 2. The infrastructure/service concession asset is made available for use at the end of Year 1.

The Road Construction company will generate revenue from tolls charged to users of the road. The estimated useful economic life of the infrastructure/service concession asset is 40 years.

Required,

- a) Explain the accounting treating required by IPSAS 32: Service Concession Arrangements: Grantor in the following circumstances;
 - i) When the grantor makes payments to the operator **(4 marks)**
 - ii) When the grantor gives the operator the right to charge service users.
(4 marks)
- b) Illustrate how the grantor will account for the service concession arrangement in its financial statements for Year 1 and Year 2. **(12 marks)**.

General grant for operating activities		1,670
Capital contributed by government		3,500
Totals	10,192	10,192

Further information:

- i. Depreciation has still to be accounted for. The agency depreciates its buildings over 40 years using the straight line basis, and its IT assets using the reducing balance basis at a rate of 35%. The Agency's software upgrades are not treated as non-current assets but are charged as an expense in the year.
- ii. The long term loan is to be repaid at the end of five years and the interest rate to be applied is 5%. No interest has so far been paid on this loan for 2022.
- iii. The insurance expenditure includes a prepayment of \$15,000 for the period up to 28 February 2023.
- iv. A pay increase was announced on 1 January 2023 and it is to be applied retrospectively from 1 December 2022. The cost of the increase for 2022 is \$25,000.
- v. On 16 January 2023, a fire destroyed \$400,000 of the inventories.
- vi. On 31 January 2023, a letter was received stating that a company that owed the Agency \$2,000 had ceased trading and it is unlikely that the Agency will receive any of the money owed to it.
- vii. On the last day of the year, the government transferred \$300,000 additional capital to the agency. This has not been included in the above trial balance.

Required

Prepare the Statement of Financial Position for the Ministry of Information, Communication Technology and Courier Services as at 31 December 2022. **(30 marks)**

END OF EXAMINATION QUESTION PAPER

0/16 (Am)