



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF LAW, BUSINESS INTELLIGENCE AND ECONOMICS

DEPARTMENT OF ACCOUNTING, FINANCE AND HUMAN CAPITAL MANAGEMENT

EXAMINATION PAPER

COURSE CODE : CAC415
COURSE TITLE : PUBLIC SECTOR ACCOUNTING I
SPECIAL REQUIREMENTS : NONE
DURATION : 3 Hours
LEVEL : 4.1
DATE : 09 JUN 2025

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.
4. Begin each question on a new page.
5. The number of marks for each question or part question is shown in brackets []

Question 1

- a. Explain the differences in the differences in International Public Sector Accounting (IPSAS) and International Financial Reporting Standards (IFRSs). (15 marks)
- b. Why do you consider the harmonization of public sector accounting standards to be important for any jurisdiction in the world? (10 marks)

[Total 25 marks]

Question 2

Shamva RDC is under financial distress and the incoming Finance Director has put up an idea that the Council acquire two garden flats which are being sold by a resident who wants to leave Zimbabwe for Australia. The council will be renting out these flats to home-seekers for a monthly fee. Costs which involved are as follows:

- i. Cash price for one flat is \$300 000. Total conveying fees of \$10 000 will be incurred in facilitating the selling and buying of the two flats.
- ii. Due to liquidity woes that the council is going through, the council is only able to pay cash for one flat and then pay for the other flat after 6 months. The owner of the flats is still agreeable to this but to cushion himself from inflation he will only accept \$330 000 as the payment for the second flat.
- iii. Capital Gains tax of \$56 000 will have to be paid to ZIMRA.
- iv. The council is expecting that in first year of renting out the flats, it will make losses to the tune of \$78 000 as the occupancy will still be below break-even-point.
- v. Official opening ceremony which is going to be attended by senior government officials and the president is going to cost \$5 900 to the council.

Required

- a) In reference to IPSAS 16, explain the accounting of the garden flats and accompanying transactions. (10marks)
- b) Identify two measurement methods of Investment Property as prescribed by IPSAS16. Give main differences between these two approaches. Outline disclosure requirements for each approach. (10 marks)

- c) Explain the differences in the differences in International Public Sector Accounting (IPSAS) and International Financial Reporting Standards (IFRSs). (5 marks)

[Total 25 marks]

Question 3

Below are cash transactions of Department of Social Welfare for the year ended 31 December 2024.

	\$
Government Receipt	750 000
Fees and charges on services	150 000
Compensation of employees	330 000
Goods and services	270 000
Interest expense	75 000
Grants received from donors	180 000
Purchase of non-financial assets	225 000
Staff loans	60 000
Investment	90 000
Sale of investment	15 000
Auction of old assets	22 500
Staff advances	120 000
Bank loans	450 000
Repayment of loans	90 000
Social benefits	30 000
Other expenditure	105 000
Consumption of fixed capital	75 000
Cash and cash equivalent as at 1/1/2024	135 000

Required

- a) Prepare a Statement of Cash Flows for the year ended 31 December 2019, in accordance with IPSAS 2. (15 marks)
- b) What is the role played by the Auditor-General in relation to public finance and is it being fulfilled in Zimbabwe? (10 marks)

[Total 25 marks]

Question 4

The following records have been taken from the Trial balance of Bindura Municipality for the year ended 31 December 2024.

	Dr \$ '000	Cr \$ '000
Buildings	5900	
Buildings accumulated depreciation		1650
IT Assets	1234	
IT Assets accumulated depreciation		587
Inventories at 31-12-2023	888	
Receivables	90	
Short term investments	100	
Cash	540	
Payables		470
Long term loans		250
Accumulated surpluses		1240
Staff cost	1155	
Electricity	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		
General grant for operating activities		125
General grant for operating activities		1670
Capital contributed by government		3500
Totals	10192	10192

Further information:

1. Depreciation has still to be accounted for. The Municipal 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 Municipal's Software upgrades are not treated as non-current assets but are charged as an expense in the year.
2. 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 2024.

3. The insurance expenditure includes a prepayment of \$15,000 for the period up to 28 February 2025.

4. A pay increase was announced on 1 January 2025 and it is to be applied retrospectively from 1 December 2024. The cost of the increase for 2024 is \$25,000.

5. On 16 January 2025, a fire destroyed \$400,000 of the inventories.

6. On 31 January 2025, a letter was received stating that a company that owed the Agency \$2,000 had ceased trading and it is unlikely that the Municipal will receive any of the money owed to it.

7. On the last day of the year, the Government transferred \$300,000 additional capital to the Municipal.

This has not been included in the above trial balance.

Required:

From the information above, prepare:

- a) A statement of Financial Performance for Bindura Municipality for the year ended 31 December 2024 **(10 marks)**
- b) A Statement of Financial Position at that date. **(10 marks)**
- c) Explain the concept of value for money to measure performance in public sector organization. Give relevant examples to support your explanation. **(5 marks)**

[Total 25 marks]

END OF EXAMINATION QUESTION PAPER