

ZIMBABWE EZEKIEL GUTI UNIVERSITY



FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

B. COM ACCOUNTING

**COURSE: PUBLIC SECTOR ACCOUNTING I**

**COURSE CODE: CAC401**

**DURATION: 3 HOURS**

**DATE 19 JUNE 2017**

**INSTRUCTIONS TO CANDIDATES:**

1. Answer all questions.
2. No cell-phones are allowed in the examination.
3. Use of silent non-programmable calculators is allowed.

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## QUESTION 1

- a) Identify and explain approaches that can be used to ensure public goods are paid for or are taken care of. (6 marks)
- b) Explain why state owned enterprises are important in an economy (9 marks)
- c) "Commercialisation is better than privatisation" Discuss giving relevant Zimbabwean examples. (10 marks)

[Total: 25 marks]

## QUESTION 2

### Part A

Identify one entity other than public sector entities that applies International Public Sector Accounting Standard (IPSAS), assess the costs and benefits of applying IPSAS to such entity.

(10 marks)

### Part B

The following transactions have been extracted from the books of a government department:

#### 2016

January 13 Collected VAT amounting to \$11 000

January 15 Levied real estate tax \$108 000 and estimated that \$8 000 is uncollectible

January 17 Collected \$106 000 of the real estate tax

January 20 Collected Income tax \$200 000

#### Required:

Record the above transactions using the modified accrual basis in the following ledgers

- i) Cash account (3 marks)
- ii) Taxes receivable (3 marks)
- iii) Revenue control (4 marks)
- iv) Estimated uncollectible taxes (contra account) (3 marks)

[Total: 25 marks]

## QUESTION 3

### Part A

A new member of parliament elected in your constituency heard that you are doing Bachelors of Accountancy Honours Degree at ZEGU; he has visited you seeking understanding of the following issues in the Constitution of Zimbabwe (Constitution of Zimbabwe Amendment 20).

## Required

Briefly provide short notes on the items listed below:

- i) Principles of public financial management (5 marks)
- ii) Parliamentary oversight of state revenues and expenditure (5 marks)
- iii) Limits of state borrowings, public debt and state guarantees (5 marks)

## Part B

Briefly describe the functions of the Auditor General in Zimbabwe. (10 marks)

[Total: 25 marks]

## QUESTION 4

The following are extracts from consolidated accounts of the government of Zimbabwe

### Government of Zimbabwe

#### Consolidated Statement of Financial Position as at March 31, 2016

	2016	2015
	\$000m	\$ 000m
<b>Financial assets</b>		
Cash and cash equivalents	1,577	1,366
Accounts receivable	1,864	1,708
Portfolio investments	2,122	1,273
Commercial enterprises equity	331	207
Loans	4,909	5,659
Inventories for resale	109	135
<b>Liabilities</b>		
Accounts payable and accrued liabilities	2,383	2,644
Issued debt	9,363	9,796
Pension obligations	4,813	4,890
Other accrued liabilities	1,395	1,510
Deferred revenue	308	331
<b>Total Liabilities</b>	18,262	19,171
<b>Non-financial assets</b>		
Tangible capital assets	7,218	7,215
Inventories of supplies	112	222
Prepaid assets	30	20
<b>Total Non-Financial Assets</b>	7,360	7,457

**Government of Zimbabwe**

**Consolidated Statement of Operations for the year ended March 31, 2016**

	2016	2016	2015
	\$000m	\$000m	\$000m
	Budget	Actual	Actual
<b>Revenues</b>			
Personal income tax	5,392	5,969	5,655
Corporate taxes	2,642	2,659	3,848
Sales tax	1,265	1,408	1,543
Fuel tax	470	547	558
Tobacco tax	345	341	330
Lottery revenues	660	770	705
Health insurance premiums	641	680	652
Fees, permits, licenses and fines	581	651	669
Liquor commission	427	485	465
Income from enterprises	50	525	97
Miscellaneous revenues	100	342	402
Investment income	409	610	747
Zim Health and Social Transfer	940	970	903
Other transfers	355	365	280
	14,277	16,322	16,854
<b>Expenses</b>			
Education	4,329	4,287	4,168
Health	4,541	4,626	4,457
Agriculture, environment, development	1,706	1,856	1,740
Social services	1,654	1,701	1,709
Transportation and utilities	626	823	807
Recreation and culture	281	272	217
General government	551	627	560
Justice	468	487	462
Interest expense	93	267	183
	14,249	14,946	14,303
<b>Annual surplus</b>	<b>28</b>	<b>1,376</b>	<b>2,551</b>

Accumulated deficit at beginning of year	(1,366)	(1,366)	(3,917)
Accumulated surplus/(deficit) at end of year	<b>(1,338)</b>	<b>10</b>	<b>(1,366)</b>

**Government of Zimbabwe**

**Consolidated Statement of Changes in Net Debt for the year ended March 31, 2016**

	2016	2016	2015
	\$000	\$000	\$000
	Budget	Actual	Actual
<b>Annual surplus</b>	<b>28</b>	<b>1,376</b>	<b>2,551</b>
Acquisition of tangible capital assets	(294)	(294)	(250)
Proceeds on sale of tangible capital assets	0	46	72
Amortization of tangible capital assets (depreciation)	226	226	230
(Gain/loss- sale of capital assets	0	(5)	(19)
Write-downs of tangible capital assets	0	24	44
	<b>(68)</b>	<b>(3)</b>	<b>77</b>
Acquisition of supplies inventories	0	0	(324)
Acquisition of prepaid asset	0	(30)	(20)
Use of supplies inventories	0	110	102
Use of prepaid asset	<b>0</b>	<b>20</b>	<b>0</b>
	0	100	(242)
<b>(Increase)/decrease in net debt</b>	<b>(40)</b>	<b>1,473</b>	<b>2,386</b>
Net debt at beginning of year	(8,823)	(8,823)	(11,209)
<b>Net debt at end of year</b>	<b>(8,863)</b>	<b>(7,350)</b>	<b>(8,823)</b>

**Required**

- With reference to IPSAS 1: Presentation of Financial statements, identify two additional components to make A full set of financial statements. **(2 marks)**
- Calculate and explain the difference between
  - Gross debt and
  - Net debt **(13 marks)**
- Identify and explain 5 key features of the government's reporting model **(10 marks)**

**[Total: 25 marks]**

**\*\*\*END OF PAPER\*\*\***