

# UGANDA MARTYRS UNIVERSITY

FACULTY OF BUSINESS AND MANAGEMENT  
DEPARTMENT OF ACCOUNTING AND FINANCE

YEAR III SEMESTER I EXAMINATIONS 2021/2022  
BACHELOR OF BUSINESS ADMINISTRATION AND MANAGEMENT

COURSE CODE: 3111  
COURSE NAME: PUBLIC SECTOR ACCOUNTING

Date: Tuesday, 18<sup>th</sup> February 2022;  
Time 2:00 pm - 5:00 pm

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## **INSTRUCTIONS:**

1. Time allowed: **3 hours**
  2. Attempt any **four** questions.
  3. All questions carry equal marks.
  4. Use of relevant examples will be credited.
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### **Question One**

- a) During 2017, a public sector entity changed its accounting policy for the treatment of borrowing costs that are directly attributable to the acquisition of a hydroelectric power station that is under construction. In the previous periods, the entity had capitalized such costs. It has now decided to expense, rather than capitalize them. Management considers that the new policy is preferable, because it results in a more transparent treatment of finance costs and is consistent with local industry practice, making the entity's financial statements more comparable. The entity capitalized borrowing costs Shs 5.2 billion incurred during 2016 and Shs 10.4 billion in periods prior to 2016. All borrowing costs incurred in previous years in respect of the acquisition of the power station were capitalized. The accounting records for 2017 show a surplus before interest Shs 60 billion and interest expense Shs 6 billion (which relates only to 2017). The entity has not recognized any depreciation on the power station because it is not yet in use. In 2016, the entity reported a surplus before interest Shs 36 billion, opening accumulated surplus was Shs 40 billion and closing accumulated surplus was Shs 76 billion. The entity had Shs 20 billion of contributed capital throughout, and no other components of net assets except for accumulated surplus.

#### **Required:**

With reference to the relevant International Public Sector Accounting Standards (IPSAS), present the public sector entity's statement of financial performance and changes in net assets for 2017, with the 2016 restated balances. (9 marks)



- b) Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorized for issue.

**Required:**

With reference to the relevant IPSAS, illustrate events that are 'adjusting' and 'non-adjusting' after the reporting date. (11 marks)

- c) You are the director, finance of Uganda Farmers Authority, a public sector entity that prepares its financial statements in accordance with IPSAS. Your staff are uncertain about the meaning, examples and the relevant IPSAS applicable to 'bearer plants', and thus need your guidance in this area.

**Required:**

Advise your staff on the key aspects mentioned above in relation to 'bearer plants'. (5 marks)

**Question Two**

- a) The Local Government Institutional and Legal Framework provides for the political and administrative setup of local governments, the election of local councils and for any other matters connected to the administration and operations of local authorities.

In view of the above provisions, you have been requested by Ministry of Local Governance (MoLG) to make a presentation at a local government staff workshop.

**Required:**

In your presentation, discuss the:

- i. Functions of the Accounting Officer as per Local Government Act, 1997. (5 marks)
  - ii. Function of Local Council as per Local Government Finance and Accounting Regulations, 2007. (7marks)
- b) The Local Government Act, 1997 provides for the establishment of Local Government Public Accounts committee (LGPAC) comprising four members appointed by the district council on the recommendation of the District Executive Committee and one member appointed in the case of a district with more than one urban authority, by an electoral college of the urban council executive committee members in that district; and in the case of a district with only one urban authority, by the urban council on the recommendation of the urban executive committee. Discuss the function of the LGPAC (13 marks)

**Question Three**

- a) In accordance with the Public Finance Management Act, 2015 the Accountant General shall, for every vote, specify the basis of accounting to be adopted and the classification system to be used. This is because some government entities use cash basis while others use accrual basis of accounting.

**Required:**

Discuss the cash and accrual accounting bases and clearly justify the adoption of each method to the public sector entities in Uganda. (10 marks)



- b) Kyengera Municipal Council had the following summarized entries in the cashbook as at June, 2019

Balance B/f	90,000,000
Grant for June	165,000,000
Local service Taxes	60,000,000

**Payments**

Salaries – June	60,000,000
Materials delivered and used in June	120,000,000
Materials delivered in June for use	45,000,000

The following financial transactions were also recorded in the month of June

- i. Stationaries not paid for but used in June 45,000,000
- ii. Fuel not paid for to be used in August 75,000,000
- iii. Undelivered building materials 165,000,000
- iv. Kyengera Municipal Council allocated 2,880,000,000 as annual grant to be remitted in 12 equal installments
- v. Local Service tax assessment for June was 90,000,000

**Required:**

Based on the above and using cash basis accounting, prepare

- i. Income and Expenditure statements for Kyengera Municipal Council (10 marks)
- ii. Balance sheet for Kyengera Municipal Council (05 marks)

**Question Four**

- a) Discuss the disclosure requirements of International Public Sector Accounting Standard (IPSAS) 19: Provisions, Contingent Liabilities and Contingent Assets. (6 marks)
- b) After a function in April 2015, two people were seriously incapacitated, believably as a result of electric shock from faulty electric wiring around the conference hall of the Ministry of Tourism. Legal proceedings are ongoing seeking compensation from the ministry, but it (ministry) denies liability. Up to the date of authorization of the financial statements for the year ended 30 June, 2015 for issue, the ministry's lawyers advised that it was probable that the ministry would not be found liable. However, when the ministry prepared the financial statements for the year to 30 June, 2016 its lawyers advised that, owing to developments in the case, it had become probable that the ministry would be found liable.

**Required:**

Analyze and advise the ministry on the contingent liability for the two financial years ending 30 June, 2015 and 30 June, 2016. (4 marks)

- c) Three years ago, the administration department in the Ministry of Agriculture purchased a new desktop computer at a cost of Shs 4.8 million. The department estimated that the useful life of the computer would be 4 years and that it would use 80% of its central processing capacity. Within a few months after acquisition, the computer reached its targeted usage of 80% but during the current year usage declined to 20%. The decline is attributed to the



Required:  
a) Disc...

introduction of modern laptop computers which have larger processing capacity and therefore the department no longer requires the use of the desktop computer. A similar computer is available on the market at a price of Shs 900,000 that can provide the remaining service potential of the desktop computer.

**Required:**

Determine, for the ministry, the impairment loss on the desktop computer. (4 marks)

- d) In accordance with International Public Sector Accounting Standard (IPSAS) 6: Consolidated and Separate Financial Statements, an entity combines the financial statements of the controlling entity and its controlled entities line by line by accumulating together like items of assets, liabilities, net assets/ equity, revenue and expenses.

**Required:**

- Advise on the steps an entity should follow to ensure that the consolidated financial statements present financial information about an economic entity as that of a single entity. (6 marks)
- Discuss the disclosures required in consolidated financial statements in accordance with the relevant IPSAS. (5 marks)

**Question Five**

- Examine the general principles of budgeting in public institution in Uganda? (08 marks)
- The following information relates to the revenues earned by Kitgum Municipal Council in the year 2020/21

Code	Details	Estimated receipts	Actual receipts
012	Rent and rates	12,000,000	12,200,000
041	Trading license	11,880,000	11,800,000
046	Park fees	11,900,000	11,800,000
020	Income tax	13,000,000	13,500,000
045	Other receipts	11,300,000	11,200,000

**Additional information**

- Opening cash balance in the coffers was 1,350,000
- At the end of the year the accountant was supposed to remain with cash to the tune of 1,600,000

**Required.**

- Prepare a statement of revenue account and show how much money was paid to the exchequer at the end the year. (12 marks)
- Explain the factors that may explain differences between estimated revenue and actual revenue in public section institutions? (5 marks)

**Question Six**

The Government of Uganda has adopted a number of public financial management reforms including the introduction of the Treasury Single Account (TSA) in the Integrated Financial Management System (IFMS).

**Required:**

- a) Discuss the justification for the implementation of the TSA in Uganda (06 marks)
- b) Discuss the Benefits and Challenges of implementing IFMS in the different government entities (19 marks)

**The End**