

EXAMINATION NO. _____



2015 EXAMINATIONS

PROFESSIONAL LEVEL

PAPER B5: PUBLIC SECTOR ACCOUNTING & FINANCE

TUESDAY 8 DECEMBER 2015

**TIME ALLOWED : 3 HOURS
2.00 PM - 5.00 PM**

INSTRUCTIONS

1. You are allowed **15 minutes** reading time **before the examination begins** during which you should read the question paper and, if you wish, make annotations on the question paper. However, you are **not** allowed, **under any circumstances**, to open the answer book and start writing or use your calculator during this reading time.
2. Number of questions on paper – 5.
3. All questions to be answered.
4. Each question carries 20 marks.
5. Begin each answer on a fresh page.
6. **DO NOT OPEN THIS PAPER UNTIL YOU ARE INSTRUCTED BY THE INVIGILATOR.**

This question paper contains 4 pages

This question paper must **not** be removed from the examination hall.

ANSWER ALL QUESTIONS

1. (a) Malawi has so far used different methods of budgeting in accordance with the budget manual. The following are some of the methods used:

- (1) Incremental budgeting
- (2) Zero based budgeting
- (3) Performance based budgeting

Required:

- (i) Define **each** of the above three methods of budgeting. **6 Marks**
- (ii) State why you would recommend or not recommend each method. **6 Marks**

- (b) Malawi is currently using a cash budgeting system.

Required:

- (i) What is cash basis budgeting? **2 Marks**
 - (ii) Give any **four** reasons why you would recommend it. **2 Marks**
 - (iii) State and explain the other basis of budgeting and indicate why you would recommend this basis of budgeting to the Malawi Government. **4 Marks**
- (TOTAL : 20 MARKS)**

2. (a) Explain the **four** principles of procurement as laid down by the Public Procurement Act. **6 Marks**

- (b) You have just been employed as Chief Accountant in the Ministry of Health. The Principal Secretary (PS) is in the process of forming an internal procurement committee (IPC).

Required:

Advise the PS on who should be in the committee and give reasons for your advice. **7½ Marks**

- (c) It is said that procurement is for procurement professionals.

Required:

As an accountant, what are your roles, if any, in public procurement? **6½ Marks**
(TOTAL : 20 MARKS)

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3. Expenditure control could be defined as a string of coordinated actions which have to be taken to ensure that controls over expenditure are exercised. There are several basic or primary controls that are exercised over government expenditure. The following are some of the controls:

- (1) Legislative control
- (2) Executive control
- (3) Ministry of finance
- (4) Controls by warrants

Required:

Explain how the Malawi Government controls its expenditure through **each** of the above control measures. **20 Marks**
(TOTAL : 20 MARKS)

4. State and explain **eight** methods which the government can apply for purposes of public debt redemption. **20 Marks**
(TOTAL : 20 MARKS)

5. The following information has been extracted from the books of Queen Elizabeth Hospital regarding transactions for the month of November 2015:

- (1) Salaries and wages:
 - Amount paid K120,000,000
 - PAYE deducted from November Payroll K8,000,000
 - PAYE for October Payroll K10,000,000
 - Staff advances recovered from November payroll K1,500,000
- (2) Staff advances paid out during the month K6,000,000
- (3) Repairs and maintenance of equipment for the month was K2,500,000. Out of this amount, one contractor for K500,000 gives the hospital 30 days credit.
- (4) Depreciation of fixed assets for the month was K8,000,000
- (5) During the month, K45 million was paid to a motor vehicle dealer for the supply of three ambulances. Two ambulances were delivered during the month while the

third one was delivered in December 2015. The ambulances have a useful life of three years.

- (6) The hospital had ordered 1,000 plastic chairs at a cost of K4,500,000. These were delivered during the month and payment was made on 2 December 2015.

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- (7) Medical equipment worth K5 million was ordered and paid for but delivery took place in December 2015.
- (8) The hospital used fuel as follows; October 2015 K8 million, November 2015 K7.5 million. The hospital has an arrangement with one of the service stations whereby fuel drawn in one calendar month is paid for the following month.
- (9) The hospital used stationery as follows; October K800,000; November K600,000. The hospital gets all its stationery on 30 day credit terms.

- (10) The hospital had the following sources of income:

	Oct (Actual)	Nov (Actual)	Dec (Projection)
	Km	Km	Km
Government funding	150	164	160
Donor funds (excluding WHO)	15	12	13

- (11) The World Health Organisation (WHO) had committed to assist the hospital with K10 million per month for six months, from October 2015 to March 2016. Due to some logistical problems the money for October and November was received on 20 November 2015.

- (12) One of the wards is for patients who pay for the services and the hospital had the following income from the ward:

	Km
September 2015	- 3
October 2015	- 2.5
November 2015	- 0.85
December 2015 projected	- 2.3

60 % of the patients pay during the month of treatment, 30% in the following month and the rest thereafter.

- (13) At the beginning of the month the hospital had K47,000 in its bank account.

Required:

- (a) Using the appropriate IPSAS as required by the current Malawi Government regulatory framework, prepare the hospital's financial statement. **12 Marks**

- (b) Using the accruals basis, prepare the hospital's statement of financial performance for November 2015.

8 Marks

(TOTAL : 20 MARKS)

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NOT FOR SALE