



PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

QUALIFICATION: BACHELOR OF ACCOUNTING HONORS	
QUALIFICATION CODE: 08BOAH	LEVEL: 8
COURSE CODE: PAR812S	COURSE NAME: PUBLIC SECTOR FINANCIAL ACCOUNTING AND REPORTING
DATE: January 2025	PAPER: THEORY AND CALCULATIONS
DURATION: 3 HOURS	MARKS: 100

2nd OPPORTUNITY EXAMINATION	
EXAMINER(S)	Dr. S. Dzomira
MODERATOR:	Mr. Mutonga Samuel Mukelebai

INSTRUCTIONS
<ol style="list-style-type: none">1. Capture your full name, student number and assessment number on the first page2. Answer ALL the questions and manage your time properly.3. Number each page correctly4. Write clearly and neatly.5. Do not write in pencil and do not use tip-ex, as this will not be marked.6. The names of people and businesses used throughout this assessment do not reflect the reality and may be purely coincidental.7. Use a non-programmable calculator8. SHOW ALL WORKINGS!

THIS QUESTION PAPER CONSISTS OF 4 PAGES (excluding this front page)

Question 1 (60 marks)

The following Trial Balance was extracted from the records of Department of Social Integration, a central government department, for the year ended 31 December 2023.

	NS'000	NS'000
	Debit	Credit
Established post salaries (iii)	4,000	
Non-established post salaries	1,500	
Car maintenance allowance	800	
Travel allowance	1,100	
Travel and transport	560	
Repairs and maintenance	340	
Training, Seminar and Conferences	660	
Local Consultancy	890	
General cleaning	125	
Printing materials and Stationery (ii)	800	
Utilities	650	
Utility allowance	200	
Cost of living allowance	1,800	
Pension and Gratuity	400	
SSF Contribution (13%)	120	
Rounding	100	
Rent (iv)	300	1,850
Bank charges	10	
Special audit fees	45	
Motor Vehicles (Cost and Depreciation) (v)	84,000	25,000
Furniture (Cost and Depreciation) (v)	42,000	16,000
Computers (Cost and Depreciation) (v & vi)	14,000	4,000
Premises (Cost and Depreciation) (v)	120,400	22,000
Receivables	3,000	
Inventory	860	
Fixed deposit	1,000	
Payables		6,400
Cash and Cash equivalent	10,000	
Donor support		1,200
Tender Security		900
Accumulated Fund		200,210
Compensation for employees		7,000
Use of Goods and Services (vi)		5,600
Capital expenditure		4,500
Other expenses	5,000	
	<u>294,660</u>	<u>294,660</u>

Additional Information:

- i. The Department prepares its financial statements in compliance with the International Public Sector Accounting Standards.
- ii. Included in printing materials and stationery is a closing inventory valued at cost of \$380,000. The estimated net realisable value and replacement cost of the inventory are \$320,000 and \$330,000 respectively. The printing is not for commercial purpose.
- iii. In June 2023, the government conducted a massive recruitment into the civil services, of which 20 employees were posted to the Department. However, they have not been paid salaries for the period. The amount owed to these employees is \$2,500,000 and this should be reflected in the financial statement of the period.
- iv. The Department currently pays rent for two of its Regional Offices and at the end of the year rent of \$200,000 was outstanding. Further, the Department also rented part of its premises at the Headquarters. At the end of the financial year, an amount of \$150,000 was received to cover 2024 rent. Meanwhile, \$20,000 rent has not been received from tenants for the year 2023. These transactions have not been accounted for.
- v. Consumption (Depreciation) of fixed assets is charged on straight-line basis as follows:

Assets	Estimated useful life (in years)
Motor vehicle	5
Furniture	4
Computers	3
Premises	20
- vi. It was revealed that, computer accessories costing \$340,000 acquired in 2022 was accounted for as goods and services. However, the Auditor for the 2023 financial year recommended that the transaction should be accounted for as non-current asset. The recommendation is yet to be implemented.
- vii. The budget extract of the Department for 2023 is as follows:

	\$'000
Approved budget allocation	20,000
Internally generated fund	3,000
Donor support	1,000
Compensation for employees	10,000
Use of Goods and Services	6,000
Other expenses	5,500

Required:

Prepare in compliance with the International Public Sector Accounting Standards:

- a) A Statement of Financial Performance for the year ended 31 December, 2023. **(25 marks)**
- b) A Statement of Financial Position as at 31 December, 2023. **(20 marks)**
- c) A Separate Statement of Budget Information in comparison with the Actuals for the year ended 31 December, 2023. **(15 marks)**

Question 2 (20 marks)

The Department of Education, a central government department, prepares its financial statements in accordance with the Cash Basis IPSAS. Its records of cash receipts and payments for the year ended 31 December 2023 are summarised as follows:

Receipts	NS'000	Payments	NS'000
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Funding allocations	46,392	Wages, salaries and employee benefits	46,760
Proceeds from borrowing	8,392	Supplies and consumables	1,829
Receipts from trading activities	2,100	Rent	568
Proceeds from disposal of property, plant and equipment	587	Purchase of property, plant and equipment	7,800
Interest received	14	Repayment of borrowings	39
		Interest payments	67
Total receipts	57,485	Total payments	57,063

Additional information:

- The cash balance at the start of the year was N\$65,000.
- Several of the department's directors share their time 50:50 with the Department of Welfare. Their salaries, which total N\$1.5m, are paid directly to the directors by the Department of Welfare. The two departments are in the same overall reporting entity.

The cash records were reconciled to the bank statement as at 31 December 2023 and the following issues were discovered:

- 1) An interest payment of N\$35,000 was deducted by the bank from the government's bank account on 30 December 2023. This has not yet been accounted for in the department's cash records.
- 2) A bank transfer of N\$58,000 was received into the department's bank statement on 29 December in relation to trading activities, but has not yet been accounted for in the department's cash records.
- 3) N\$300,000 of the total amount shown as proceeds from disposal of property, plant and equipment was not in fact received during the year. The purchaser of the equipment was sent an invoice for N\$300,000 on 31 December 2023, which was then paid on 18 January 2024

Requirement

Prepare the department's statement of cash receipts and payments for the year-ended 31 December 2023. Note that prior year comparatives are not required. **(20 marks)**

Question 3 (20 marks)

a) Changing from cash accounting to accrual accounting is necessary to improve financial reporting and transparency in the public sector. However, it is not going to be without systemic and structural challenges.

Required:

In relation to the above statement:

- i) Explain FIVE (5) challenges involved in adopting Accrual Basis Accounting. **(5 marks)**
 - ii) Explain FIVE (5) measures Namibia can put in place to successfully implement Accrual Basis Accounting. **(5 marks)**
- b) Measurement of assets is a very important aspect of financial reporting. Preparers of financial statements should always consider the objective of measurement to ensure that the financial statements provide information that is useful to users for accountability and decision-making purposes.

Required:

i) Explain the objectives of measurement in financial reporting of public sector entities.

(4 marks)

ii) Explain FOUR (4) bases of measurement of assets and provide in each situation where it is applied in financial reporting. **(6 marks)**