



ELIZADE UNIVERSITY, ILARA-MOKIN, ONDO STATE.

FACULTY: HUMANITIES, SOCIAL & MANAGEMENT SCIENCES

DEPARTMENT: ACCOUNTING & FINANCE

FIRST SEMESTER EXAMINATIONS: 2020/2021 ACADEMIC SESSION

COURSE CODE: ACF 303

COURSE TITLE: PUBLIC SECTOR ACCOUNTING & FINANCE I

DURATION: 2 HOURS

INSTRUCTION: Attempt any four (4) questions.

QUESTION 1

a) Write short note on Payback period of investment appraisal method and state TWO advantages and TWO disadvantages of the method. **(3 marks)**

b) The Hospital Management Board of Araba State, uses the payback period method to evaluate its projects. The projects and the cash flows envisaged for the year 2021 are:

CASHFLOWS:

| Project | A | B | C |
|---------|--------|--------|--------|
| Year | N'm | N'm | N'm |
| 1 | 37,500 | 60,000 | 75,000 |
| 2 | 37,500 | 45,000 | 60,000 |
| 3 | 40,000 | 30,000 | 48,000 |

The Board has decided to set aside the sum of ₦105million as initial investment in each project.

Required:

- Calculate the Payback Period for each project.
- Advice the Board on the project to accept out of the three, based on payback evaluation in (i) above.

(12 marks)

(Total: 15marks)

QUESTION 2

- Explain Federation Account and Consolidated Revenue Fund (CRF) and mention three sources of revenue that could be paid into each of these funds. **(6 marks)**
- Prepare Federation Account and Consolidated Revenue Fund from the information for the month ended 31 December, 2020 given below

(9 marks)

(Total: 15 Marks)

| Inflows | ₦ 000 |
|---------------|---------|
| Import duties | 400,000 |
| Export duties | 300,000 |
| Excise duties | 200,000 |

| | |
|---|------------|
| Petroleum profit tax | 80,000,000 |
| Companies income tax | 71,000,000 |
| PAYE: deductions from the emolument of the Armed Forces | 400,000 |
| Police personnel | 30,000 |
| Residents of Abuja | 20,000 |
| Dividend from Federal Government Investments | 120,000 |

Outflows:

| | |
|------------------------------------|------------|
| Remuneration of Statutory Officers | 13,800,000 |
| Recurrent expenditure | 1,500,000 |
| Transfer to: Development Fund | 2,500,000 |
| Contingency Fund | 20,000 |

Note: The revenue allocation formula is:

| | |
|--------------------|--------|
| Federal Government | 52.68% |
| State Government | 26.72% |
| Local Government | 20.60% |

QUESTION 3

The University of Arakale, Ondo State, launched a capital fund campaign for the construction of lecture theatres, auditorium and purchase of equipment on 3rd of January, 2020. By 31 July 2020, the following transactions took place:

| | |
|----------------------------------|-----------|
| Donations: | N'Million |
| Federal and State Governments | 70,000 |
| Companies | 10,000 |
| University Staff and Individuals | 15,000 |

| | |
|---|-----|
| Launching Expenses: | |
| Abuja, Lagos, and Port Harcourt centres | 600 |
| Advertisement and Publicity | 200 |

Between 1st August and 31st December 2020 before the official opening of the theatres the following events took place:

| | |
|--|-----------|
| | N'Million |
| Construction of 2000-capacity theatre | 10,000 |
| Construction of 700-capacity theatre | 6,000 |
| Construction of 1000-capacity theatre/Auditorium | 4,000 |
| Purchase of Equipment | 25,000 |

Required:

- Prepare the Receipt and Payment Account for the year ended 31/12/2020. (5 marks)
- Prepare the Income and Expenditure Account for the year ended 31/12/2020. (5 marks)
- Statement of Financial Position as at 31 December 2020. (5 marks)

(Total:15 marks)

QUESTION 4

The Cabinet of the Federal Government of Nigeria, a developing country operating a unitary system of government is considering rationalization and re-engineering of the operations of two states that are economically unviable.

The Finance Minister is considering policy interventions in the following areas:

- (i) Strengthening public expenditure management to ensure that all public expenditures are wholly, necessarily, reasonably, and exclusively incurred for the purposes for which they are meant.
- (ii) Changing the basis under which Public Sector Financial Statements are prepared from Committed Basis to Cash Basis
- (iii) Introduction of Fund Accounting System

Required:

- a. State FIVE basic controls exercised over Government expenditure **(2.5 marks)**
- b. Briefly explain the concept of Cash Basis of Accounting and State FOUR disadvantages and FOUR disadvantage inherent in such a system **(6.5 marks)**
- c. Discuss any SIX types of Funds stipulated in the Constitution of the Federal Republic of Nigeria, 1999 as amended. **(6 marks)**

(Total 15 marks)

QUESTION 5

In all government units, the executive arm prepares the budget for legislative review, modification, and approval. The approved budget serves as a basis for the activities of that government unit for the fiscal year under focus.

Required:

- a. Explain any **THREE** main purpose which a government budget serves **(3 marks)**
- b. Explain and give **THREE** advantages and **THREE** disadvantages of each of the following budget concepts.
 - i. Traditional/Line/Incremental budgeting **(6 marks)**
 - ii. Zero based budgeting **(6 marks)**

(Total 15 marks)

QUESTION 6

- a. Mention **TEN** powers/functions of the Auditor-General of the Federation (AuGF). **(5 marks)**
- b. Define the term Accounting Officer and mention **EIGHT** of his/her functions **(6 marks)**
- c. Define the term Imprest and discuss the two types of imprest in use **(4 marks)**

(Total: 15 Marks)