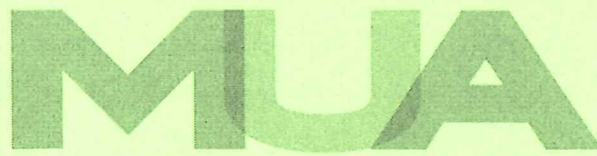


The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

ACC 324 : ACCOUNTING FOR NON-PROFIT ORGANIZATIONS

DATE: 8TH AUGUST 2024

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write **all your answers in the Examination answer booklet provided.**

QUESTION ONE

The following is the summary of Receipts and Payments of Neema Medical Centre for the year ended 31st December 2023:

Receipts	Sh.	Payments	Sh.
Bank balance on 1 st January, 2023:		Salaries	28,600
Deposit on Building Fund Account	76,000	Medical supplies	8,400
Current account	5,040	Insurance expenses	3,600
Members' subscriptions	51,600	Water and Electricity	2,400
Fees from Non-members	4,800	Telephone and Postage	1,600
Donation from Charitable Organizations	10,000	General expenses	6,800
Donations for Building Fund Account	20,000	Motor expenses	1,400
Interest on Deposit on Building Fund A/C	4,560	Motor vehicle at cost	15,440
		Bank balance on 31 st December 2023:	
		Deposit on Building Fund Account	100,560
		Current account	3,200
	172,000		172,000

The following additional information has been provided as at 31st December 2023:

- i) In the year 2023, the Medical Centre bought Land costing Sh. 32,000.
- ii) Fees from non-members received in advance for year 2024 amounted to Sh. 200.
- iii) Rent of Sh. 200 for January 2024 was paid on 24th December 2023.
- iv) Salaries of Sh. 2,600 for December 2023 were paid on 10th January 2024.
- v) Member's subscriptions include Sh. 800 for subscriptions due for the year 2023.

d Expenditure Account of Neema Medical Centre for the year ended 31st

2023.

(10 Marks)

Balance Sheet of Neema Medical Centre as at 31st December 2023.

(10 Marks)

c) Apply five principles of financial reporting to non-profit organizations.

(5 Marks)

QUESTION TWO

a) The approved estimates and actual details of the Department of Youth Affairs for the year 2021/2022 were as follows:

Gross estimated expenditure	Sh. 768,000
Estimated Appropriation-In-Aid	Sh. 48,000
Drawings from exchequer	Sh. 636,000
Gross Expenditure	Sh. 576,000
Actual appropriations in aid	Sh. 36,000

Required

Prepare:

- i) The General Account of Vote (GAV) (2 Marks)
- ii) The exchequer account (2 Marks)
- iii) The Paymaster General (PMG) Account (2 Marks)
- iv) Expenditure account (1 Mark)
- v) A statement of assets and liabilities as at 30th June 2022. (3 Marks)

b) Describe the following accounting techniques as used by public sector organizations:

- i) Budgetary Accounting (2½ Marks)
- ii) Commitment Accounting (2½ Marks)

QUESTION THREE

- a) Discuss six reasons that are attributable to the ballooning of public expenditure in Kenya over the years. **(6 Marks)**
- b) Demonstrate the purpose and mode of operation of the following government special funds in your country:
- i) Sinking funds **(3 Marks)**
 - ii) Revolving funds **(3 Marks)**
 - iii) Capital Project Funds **(3 Marks)**

QUESTION FOUR

The trial balance below was extracted from the books of National Assurance Corporation as at 31st December 2022.

National Assurance Corporation
Trial Balance as at 31st December 2022

	Dr	Cr
	Sh.	Sh.
Equity		43,008
General reserve - retained surplus		51,144
Pension fund liability reserve		6,052
Loans		377,460
Land and buildings	98,068	
Equipment	427,836	
Motor vehicles	18,068	
Fixtures and fittings	10,110	
Investments	22,914	
Receivables - services	22,076	
Short term deposits	14,064	
Cash and bank balances	10,028	
Payables - services		52,496
Provision for depreciation on non-current assets		96,860
Insurance revenue		68,172
Other revenue		33,708

Administration expenses	10,188	
Operational expenses	26,820	
International services expenses	33,828	
Other expenses	16,860	
Maintenance expenses	3,128	
Interest on loan	14,912	
	728,900	728,900

Additional Information as at 31st December 2022:

- i) Inventory in stores as at 31st December 2022 was valued at sh. 40,000
- ii) Provision for depreciation on non-current assets for the year sh. 18,136
- iii) Transfer sh. 7,024 to pension fund liability reserve
- iv) Provision for corporation tax sh. 21,416
- v) Proposed dividends sh. 9,540

Prepare the following for National Assurance Corporation:

- a) Revenue account for the year ended 31st December 2022. **(5 Marks)**
- b) Net revenue account for the year ended 31st December 2022. **(2 Marks)**
- c) Balance sheet as at 31st December 2022. **(8 Marks)**

QUESTION FIVE

- a) The following transactions took place for a county government department during the month of January 2022:

		Sh.'000'
01/01/2022	Opening balance b/d: Cash	480
	Bank	3,000
02/01/2022	Received cheque in respect of trade license	7,500
05/01/2022	Paid D. Bakari (cheque for goods supplied)	2,400
10/01/2022	Cash received in respect of parking fees	300
15/01/2022	Paid electricity charges (cheque)	1,044
26/01/2022	Paid Masaa Ltd by cheque for vehicle repairs	6,240
26/01/2022	Paid cash to X. Kato claim for fuel expenses	336
28/01/2022	Received cheque for Licenses	25,200
30/01/2022	Paid wages in cash	600
31/01/2022	Banked all cheques in hand and cash, remaining with cash balance of:	1,200

Required:

Prepare a cash book for the county government department.

(10 Marks)

- b) Explain the following non-profit organizations accounting techniques:

i) Cash versus Accrual Accounting

(3 Marks)

ii) Transfer and Appropriations

(2 Marks)

QUESTION SIX

- a) The following account balances were extracted from the books of Hakika pension fund for the year ended 30th June 2022:

	Dr	Cr
	Sh	Sh
Payments to members	200,000	
Members' contributions		320,000
Payment for management expenses	60,000	
Interest on investment by fund		160,000
Fund Account		720,000
Cash balance (PMG)	140,000	
Investment A/C	800,000	
	1,200,000	1,200,000

Required:

- i) Prepare an income and expenditure account for the year ended 30th June 2022.
(5 Marks)
- ii) Prepare a balance sheet as at 30th June 2022.
(5 Marks)
- b) Analyse five salient features of non-profit making organizations.
(5 Marks)

