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|                     | <b>UNIVERSITY OF RUHUNA</b><br><b>FACULTY OF MANAGEMENT AND FINANCE</b>  | No. of Pages : 04<br>No. of Questions: 05<br>Total Marks : 70 |
|  | <b>BACHELOR OF BUSINESS ADMINISTRATION HONOURS DEGREE</b><br><b>4000 LEVEL FIRST SEMESTER END EXAMINATION - AUG/SEP 2025</b> | <i>Three Hours</i>  |
| <b>ACC 41113 – Public Sector Accounting and Finance</b><br><i>Instructions: Answer all questions</i> | <b>Academic Year 2024/2025</b>   |   |

01. The accountant of the Department of Technical Education and Training received the following information with respect to the transactions that took place during the month ended 31 July 2025.

| Description  | Amount<br>Rs. | Classification of<br>transaction |
|--|---------------|----------------------------------|
| Surcharges on overtime paid to Mr. Vidyarthna  | 13,200        | Surcharge A/C                    |
| Advances for fuel – Mr. Deshapriya   | 32,300        | Advance A/C                      |
| Purchase of a Smart Boards   | 320,600       | 978-1-1-1309                     |
| Receipts of Tender deposits  | 123,800       | Deposit A/C                      |
| Installation of Starlink System at the board room  | 878,500       | 978-1-1-1305                     |
| Re-imbursment of petty cash imprest  |               |                                  |
| - Stationeries   | 4,500         | 978-1-1-1401                     |
| - Travelling   | 2,800         | 978-1-1-1402                     |
| - Maintenance  | 3,700         | 978-1-1-1406                     |
| Receipt of application fee for the examinations  | 825,800       | 20,03,10,05                      |
| Telephone and Internet charges   | 58,500        | 978-1-1-1304                     |
| Cost of conducting examinations  | 381,800       | 978-1-1-1208                     |
| Receipts from short courses to school leavers  | 815,000       | 20.03.21.10                      |
| Paper marking charges for the examiners  | 402,500       | 978-1-1-1220                     |
| Salaries and wages (Net)   | 826,000       | 978-1-1-1210                     |
| Training programme for the non-academic staff  | 102,300       | 978-1-1-1501                     |
| Receipts from sales of damaged equipments  | 303,200       | 20.03.10.15                      |
| Refund of tender deposits  | 62,000        | Deposits A/C                     |
| Income from conducting professional courses  | 1,028,500     | 20,03,10,07                      |
| Installation of a CCTV System  | 480,000       | 978-1-1-1305                     |
| Received a cheque from the Education Department for the settlement of a loan balance of Mrs. Amarasuriya | 88,300        | A.P.O.A.A.                       |
| Awareness sessions for the school leavers  | 95,000        | 978-1-1-1501                     |

The following additional information was provided to the accountant for the month ended 31 July 2025.

- (i). Mr. Rathnayaka, the course coordinator (professional) of the department, had been given a sub-imprest of Rs. 280,000 for conducting a workshop for the school leavers in Matara district. However, the actual expense was Rs. 333,000 due to an unexpected increase in the number of attendees. The accountant approved the full cost submitted by Mr. Rathnayaka, and the balance was reimbursed to him immediately.
- (ii). Mr. Dissanayaka, a deputy director had been given a sub-imprest of Rs.395,000 to participate in a training programme hosted in China. He bought economy class tickets and was able to save Rs. 35,000 out of that amount. Upon his return, Mr. Dissanayaka submitted the balance to the accountant with relevant vouchers.
- (iii). The amount of salaries and wages stated in the Vote Ledger of the Department of Technical Education and Training was Rs. 910,000. It includes deductions for W. & O.P. Fund, loan interests and insurance at a 3:2:1 ratio, respectively.
- (iv). The accountant has obtained the closing balance of the cash book (Balance c/d) as at 31 July 2025 as Rs. 110,500.
- (v). The opening balance (Balance b/f) of the authorised imprest account in the departmental books was Rs. 1,063,000.
- (vi). The authorized imprest account in the treasury books confirmed that the imprest for July 2025 was remitted to the Department under the direct imprest issue system.

Assuming that you are the accountant of the Department of Technical Education and Training, prepare the following for the month of July 2025.

- (A). Cash Book. (13 Marks)
  - (B). Authorized Imprest Account in the books of the Department of Technical Education and Training. (06 Marks)
  - (C). Vote Ledger. (03 Marks)
- (Total Marks 22)

02.

- (A). "Bureaucracy brings structure, rules, and accountability, but can also cause inefficiency and rigidity."

Discuss this statement by explaining the main advantages and disadvantages of bureaucracy, and evaluate how these characteristics affect the performance and financial management of the public sector. (04 Marks)

- (B). The Appropriation Bill is the legislative instrument through which Parliament grants legal authority to the government to withdraw funds from the Consolidated Fund for public expenditure, including salaries, infrastructure, and services.

What are the consequences if the Appropriation Bill is not passed in Parliament? Explain separately how the salaries of the Auditor General and other public servants are paid in such a situation. (04 Marks)

- (C). List out four main new trends and developments in public sector accounting and finance in Sri Lanka, and briefly explain how each contributes to enhancing the efficiency and accountability of public financial management. (04 Marks)

(Total Marks 12)

03.

- (A). Some government institutions in Sri Lanka still use cash basis accounting despite the growing global shift towards accrual and modified accrual accounting systems in the public sector.

Discuss the limitations of cash basis accounting in the public sector in Sri Lanka, and explain how these limitations can affect transparency, accountability, and decision-making in public sector financial management. (04 Marks)

- (B). The Department of State Accounts (DSA) has been actively engaged in accelerating the implementation of Sri Lanka Public Sector Accounting Standards (SLPSAS) across public sector entities through a structured, recommended transition process.

State the process recommended by the DSA for shifting from cash basis to accrual basis accounting in the public sector entities in Sri Lanka. (04 Marks)

- (C). Define the term "Public Sector Enterprises (PSEs)", and briefly explain the social rationale for establishing such enterprises in Sri Lanka. (04 Marks)

(Total Marks 12)

04.

(A) Who is referred to as the “qualified auditor” according to Section 154 (8) of the Constitution of 1978 of the Democratic Socialist Republic of Sri Lanka? Briefly explain how a qualified auditor is appointed. (04 Marks)

(B) In accordance with the powers vested in the Auditor General to impose surcharges, the statutes relating to Local Authorities and Universities empower the Auditor General to disallow payments and impose surcharges on those responsible in three main circumstances.

Briefly explain the three main circumstances under which the Auditor General is empowered to disallow payments and impose surcharges. (04 Marks)

(C) Critically evaluate the implications of passing multiple supplementary estimates through Parliament, particularly within the same financial year, on the efficiency and effectiveness of public sector financial management in Sri Lanka. (04 Marks)

(Total Marks 12)

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05.

(A) Cheques received to the public sector institutions may be dishonoured for various reasons, requiring officials to identify causes and take appropriate corrective actions. The procedures for managing and disposing of dishonoured cheques are clearly stipulated in the financial regulations, ensuring a standardized and transparent process within public sector financial management.

List out the steps, as stipulated in the financial regulations, to be followed when a cheque received by a public sector institution is dishonoured. (04 Marks)

(B) Implementing the Code of Best Practice in Corporate Governance within Sri Lanka’s public enterprises has proven to be a complex process, with a number of significant challenges arising along the way.

Examine four major challenges faced by public enterprises in Sri Lanka in the effective implementation of the Code of Best Practice in Corporate Governance. (04 Marks)

(C) Define the term “Waivers”, and briefly describe the two types of waivers applied in public sector financial management. (04 Marks)

(Total Marks 12)

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