CONFIDENTIAL

UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2024 SEMESTER

COURSE CODE	:	EAB41303
COURSE NAME	:	PUBLIC SECTOR ACCOUNTING
PROGRAMME NAME	:	BACHELOR IN ACCOUNTING (HONS)
DATE	:	6 JULY 2024
TIME	:	09.00 AM – 12.00 PM
DURATION	:	3 HOURS

INSTRUCTIONS TO CANDIDATES

1. **Please CAREFULLY read the instructions given in the question paper.**
2. **This question paper has information printed on both sides of the paper.**
3. This question paper consists of **FOUR (4)** questions.
4. Answer **ALL** questions.
5. Please write your answers on the answer booklet provided.
6. All questions must be answered in **English** (any other language is not allowed).
7. **This question paper must not be removed from the examination hall.**

THERE ARE FIVE (5) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

(Total: 100 marks)

INSTRUCTION: Answer ALL questions.
Please use the answer booklet provided

Question 1

Traditional budgeting was no longer adequate as the public sector expanded and became more complicated. Traditional budgeting failed to relate resource allocation to spending objectives, rendering the approach obsolete. Dissatisfaction has resulted in the implementation of Programme and Performance budgets.

(a) Briefly explain the main components of both Programme budgeting and Performance budgeting.

(4 marks)

(b) Explain in detail **FOUR (4)** stages of Programme and Performance Budgeting System application including the example of each stage.

(16 marks)

(c) State **FIVE (5)** advantages of the implementation Programme and Performance Budgeting System.

(5 marks)

[25 marks]

Question 2

Public sector reforms in Malaysia begun in the 1980s with the primary objective of improving the effectiveness, efficiency and transparency of governmental operational and financial management. The shift from cash-based accounting to accrual-based accounting in the public sector constitutes one of the measures outlined in the New Economic Model (NEM) under this reform initiative. The aim of this paper is to examine the opportunities and challenges faced by the Malaysian public sector in implementing accrual-based accounting.

A review of previous literature in this area showed that accrual-based accounting improves decision-making processes, promotes better financial management and enhances public accountability. However, the transition process between these two accounting methods is not without challenges. Human resources competency, software and technology capability, accounting policies and standards suitability are identified as major challenges in the implementation effort. These challenges should be taken into consideration carefully by the government in order to ensure successful migration towards accrual-based accounting.

Source: The Implementation of Accrual-Based Accounting in Malaysian Public Sector: Opportunities and Challenges (Nur Shawalliza Yusofa & Hartini Jaafar). International Business Education Journal Vol. 11 No. 1 (2018) 49-62.

(a) List **THREE (3)** differences between cash and accrual basis of accounting.

(6 marks)

(b) In relation to the above article, discuss **FOUR (4)** opportunities of implementation of accrual-based accounting in Malaysian public sector.

(10 marks)

(c) According to the article, another reason why Malaysian public sector did not manage to fully implement accrual-based accounting until today is because of the inadequacy in the readiness of accounting information system applications.

Explain **THREE (3)** challenges of readiness of accounting information system applications stated in the article.

(9 marks)

[25 marks]

Question 3

KUALA LUMPUR: More than RM600mil in losses of public funds were reported from 16 performance audits conducted on 14 ministries involving RM208.882bil, reveals the Auditor-General's Report 2022.

According to the report released on Wednesday (Nov 22), 13 performance audits amounting to RM207.352bil were in the activities or programmes category, one amounting to RM316mil in the projects category, and two audit activities amounting to RM1.214bil involving ICT systems.

The report showed 11 cases failed to meet the objectives of the project or programme while the performance level of three could not be ascertained. There were six cases which resulted in losses totalling RM681.71mil.

This involved the Padi Planting Programme, management of the Langkawi Development Authority (Lada) real estate development, firearms management and surveillance programme, conservation of marine protected areas programme, a programme to encourage investments into the manufacturing sector and the Safe City Programme.

The Audit Department issued 55 recommendations to the audited entities. Among them were: to carry out thorough research on project proposals before approval; to step up surveillance to ensure the projects go on as scheduled; and for department heads to outline the criteria and mechanisms to evaluate a project's efficacy at every stage of implementation.

(The Star, November 22, 2023)

(a) Briefly explain **THREE (3)** performance audit that had been done by Auditor General mentioned above.

(6 marks)

(b) Discuss **THREE (3)** recommendations outlined by the Auditor General above.

(12 marks)

(c) List any **SEVEN (7)** actions to be taken by Ministry of Finance (because Padi Planting Programme managed by the Langkawi Development Authority (LADA) is under the purview of Ministry of Finance) and Auditor General after the disclosure of Audit Report.

(7 marks)

[25 marks]

Question 4

Performance management systems, which evaluate an organisation's performance against its performance indicators, are widely used in the public sector today. It is indeed an elegant way of shaping accountability. Even though performance management is not a new phenomenon in the public sector, it keeps on undergoing numerous changes over the past decade. The use of financial and non-financial performance measures in combination is being increasingly emphasized following the criticism traditional systems have received for being short-term and lacking a link to business strategy. KPIs have been used as the key to organisations success to achieve the vision, mission. business strategy, objectives and targets. The KPIs are aimed at boosting the performance of the civil service, in line with the government's effort to develop the public service delivery system and as an assurance that the elements of integrity and good governance are being carried out.

Performance evaluation is done for various purposes, such as for professional and career development, accountability check, to be linked with recognition and compensation, references to disciplinary procedure and, most commonly, as a mechanism to determine salary increment and promotion. One of the central aspects is linking the measurement of the public services' performance to financial rewards.

Performance management has been regarded as a useful mechanism for public sector organisations to improve their performance. Indeed, many government agencies have embraced the practice of performance management (through the use of KPIs, etc.) as it can motivate them to deliver better services and hence, better performance results. Since the objective of public sector is not profit maximization, performance management in this setting should not be viewed from a commercial perspective, but from a broader perspective on how public sector organisations can improve performance (particularly in terms of delivering quality public services). More importantly, performance management should be seen as a tool for public sector organizations to discharge their duties and become more transparent and accountable in handling government-related issues.

(a) Discuss the tools used for performance measurement in the public sector.

(6 marks)

(b) Briefly explain **TWO (2)** commonly used performance measures.

(8 marks)

(c) Explain which organisation did the government form to monitor performance management in the public sector.

(11 marks)

[25 marks]

END OF EXAMINATION PAPER