

**NOVEMBER 2019 PROFESSIONAL EXAMINATIONS  
PUBLIC SECTOR ACCOUNTING & FINANCE (PAPER 2.5)  
CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME**

**STANDARD OF THE PAPER**

The standard and the choice of the questions were satisfactory. Evaluation of the examination questions indicated that about 80 percent of the topics in the syllabus were covered. This is quite commendable because it provided the candidates enough flexibility to answer a variety of topics in the syllabus. The coverage and weighting structure of the Public Sector Accounting and Finance Paper, however, seemed to be slightly unbalanced. Major topics such as the Budget and PEFA (Public Expenditure and Financial Accountability) were ignored. Although the questions were relatively not difficult to answer, a few of the questions appeared problematic in the minds of many of the candidates. This is not surprising because the questions mainly involved a measure of critical thinking and practice rather than knowledge-based enquiry or recall system that the candidates were familiar with. The questions set were not sub-standard although many candidates struggled to understand them.

**GENERAL PERFORMANCE OF CANDIDATES**

Scripts that were marked and moderated indicated poor performance in many examination centers and average performance in a few others. However, there were some isolated good scripts that were marked throughout the country. This is not surprising because of the type of preparation for the examination in different centers. The performance of candidates may also be a function of good tuition.

**STRENGTHS & WEAKNESSES OF CANDIDATES**

It is not easy to assess the strengths of the candidates. It is obvious that some of the candidates were well prepared for the examination and this was exhibited in the excellent answers to the questions. Others were ill-prepared and appeared to think that the examination could be glossed over and still be able to pass. Such candidates failed woefully.

A complete assessment of areas where most candidates were ill-prepared for the examination appear to be the approach of setting critical thinking and practical based examination questions. One could describe the overall understanding of the examination questions by candidates as 30% fair and 70 percent poor. This may be due to poor preparation for the examination by candidates. However, as already indicated, there were a handful of good and excellent answers that were given by some candidates showing that they had prepared well for the paper and had good knowledge of the subject-matter.

The nature of answers presented by candidates in the examination generally depended on various factors, such as skills and experience acquired in Public Sector Accounting and Finance by some practicing public sector accounting and finance staff and the knowledge other candidates had acquired during their studies. In all, poor preparation for the paper had a tremendous effect on the answers presented. .

## QUESTION ONE

- a) An Accounting Trainee has been given an assignment to prepare a complete set of financial statements of a public sector entity from data set provided by the Director of Finance. The Trainee prepared the financial statements to the admiration of the Director, except that no notes to the financial statements were provided. The Director made him aware that the notes to the financial statements are essential component of the financial statements whether applying the cash basis of accounting or accrual basis of accounting as it enhances the usefulness of the financial reports to users. The Trainee has been directed to you to educate him further on the relevance of notes to the financial statements.

**Required:**

Write out your explanatory notes to the Trainee, the usefulness of notes to the financial statements and the information that should be included in the notes to the financial statements of a public sector entity. **(4 marks)**

- b) Formulate accounting policies on the following items relating to the financial statement of the public sector entities.

i) Land and Building

ii) Inventories

**(6 marks)**

- c) Measurement of assets for recognition in the financial statements is a critical consideration in financial reporting and has been problematic in the public sector given the nature of assets involved. A public sector organization is currently in transition from cash basis accounting to accrual basis accounting which requires measurement and recognition of all assets in the general-purpose financial reports. Of much concern to the entity is how to select the appropriate measurement basis for the assets of the entity listed below to ensure that the objectives of financial reporting are achieved:

- Human resource software developed by the entity
- Stock of books in the library
- Vehicles donated to the entity

You have been consulted on the issues raised above to help the entity choose appropriate measurement for the recognition of the above listed assets.

**Required:**

**In line with the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities issued by International Public Sector Accounting Standards Board (IPSASB)*:**

- i) Discuss the objective for the measurement of assets in financial statements that should guide the choice of measurement bases for asset recognition. **(4 marks)**

- ii) Suggest an appropriate measurement basis for each of the assets indicated above, and discuss how your selected measurement basis meets the objectives of measurement in each case. **(6 marks)**

**(Total: 20 marks)**

## QUESTION TWO

- a) The following Trial Balance relates to Bunsu Education College, a public tertiary educational institution in Ghana, as at 31/12/2018.

	<b>DR</b> <b>GH¢'000</b>	<b>CR</b> <b>GH¢'000</b>
Fees Income		4,575,622
Establish Post Allowance	5,312,430	
Consultancy Fees	856,670	655,600
Legal Cost	25,059	
GOG grant		1,540,000
Consultancy Cost	565,500	
Non- Establish Post	1,253,600	
Seminars cost	500,000	
Sponsorship	8,100	9,066,828
Receivables	468,050	
Payables		182,840
20% loan		8,600
Books and Research Allowance	150,765	
Plant and Machinery	3,000,000	250,000
Motor Vehicle	2,505,000	352,000
Building	12,300,000	756,000
Software	995,500	150,000
Other Incomes		211,430
Project Work Supervisory Allowance	48,500	
Cash and Bank	294,233	
Training and Workshop cost	104,000	
Bad debt provision (student fees)		4,940
Work In Progress	8,251,735	
Other Expenses	71,000	
Withholding Tax		90,500
Accumulated Fund		11,205,270
Utilities Bills	560,053	
Proceeds from Sale of Admission Forms		9,196,270
Superannuation	278,500	
End of Service Benefits	298,040	
Stationery Stock	<u>399,165</u>	
	<b><u>38,245,900</u></b>	<b><u>38,245,900</u></b>

### Additional information:

- i) The college has adopted the accrual basis International Public Sector Accounting Standards (IPSAS) as the basis for the preparation of its financial statements.
- ii) Stationery stock as at 31/12/2018 was GH¢200,500,000 but have a Net Realisable Value of GH¢ 155,254,000
- iii) Social benefits of GH¢1,720,000 yet to be paid during the year was included in the Work In Progress value. Consultancy cost amounting to GH¢234,500,000 was incurred but not yet paid.
- iv) Books and Research Allowance was received from Government during the period amounting to GH¢337,530,000 for disbursement to qualified Lecturers and Administrative staff.

- v) Provision is to be made for interest on loans.
- vi) 60% of the receivables represent an amount of students' fees outstanding as at 31/12/2017. Provision for doubtful debt is estimated to be 5% of outstanding school fees.
- vii) The university uses straight line basis of depreciation for Capital Assets. Capital Assets and their useful lives are detailed out below:

<b>Assets</b>	<b>Useful Life</b>
Plant and Machinery	8 years
Motor Vehicle	5 years
Building	50 years
Software	7 years

**Required:**

- i) Prepare a Statement of Financial Performance for Bunsu Educational College for the year ended 31/12/2018. **(8 marks)**
  - ii) Prepare a Statement of Financial Position as at 31/12/2018. **(6 marks)**
- b) With reference to *IPSAS 3: Accounting Policies, Changes in Estimates and Errors*;
- i) Explain the guiding principles for formulating accounting policy. **(2 marks)**
  - ii) The conditions that mandate a change in accounting policy. **(2 marks)**
  - iii) The treatment of changes in accounting policy required by IPSAS 3. **(2 marks)**

**(Total: 20 marks)**

### QUESTION THREE

- a) Value for Money (VFM) is derived from the optimal balance of benefits and costs on the basis of total cost of ownership. The nature of public financial management is such that it involves discretionary decision taking on behalf of government at all levels. Value for Money is therefore not a choice of goods or services which is based on the lowest bid price but a choice based on the whole life costs of the project or service.

**Required:**

Identify and explain **FOUR (4)** mechanisms that can be used to achieve “*value for money*” in public sector management. **(8 marks)**

- b) The financial information below relates to the Consolidated Fund of Ghana.

**Statement of Financial Position of the Consolidated Fund as at December 31, 2018**

	2018 GH¢'million	2017 GH¢'million
<b>Non-Current Assets</b>		
Property Plant and Equipment	4,200	5,600
Equity investment	<u>10,000</u>	<u>12,000</u>
Total Non-current assets	<u>14,200</u>	<u>17,600</u>
<b>Current Assets</b>		
Work in progress	2,500	2,000
Receivables	1,100	900
Cash and cash equivalent	3,250	2,980
Other assets	<u>450</u>	<u>600</u>
Total current assets	<u>7,300</u>	<u>6,480</u>
Total assets	<u><b>21,500</b></u>	<u><b>24,080</b></u>
<b>Funds and Liabilities</b>		
Accumulated Fund	(111,280)	(111,620)
<b>Current Liabilities</b>		
Payables	1,600	19,000
Trust monies	2,540	2,300
Domestic loans	<u>11,240</u>	<u>12,500</u>
Total Current Liabilities	<u>15,380</u>	<u>33,800</u>
<b>Non-Current Liabilities</b>		
Domestic loans	52,000	43,000
External loans	<u>65,400</u>	<u>58,900</u>
Total Non-Current Liabilities	<u>117,400</u>	<u>101,900</u>
Total Funds and Liabilities	<u><b>21,500</b></u>	<u><b>24,080</b></u>

**Additional Information:**

- i) The total market value of all final goods and services produced domestically in Ghana for 2018 and 2017 fiscal year amounted to GH¢205,100,940,000 and GH¢185,600,400,000 respectively.
- ii) According to the Statistical Service data, the population of the country is estimated as 25,000,000 in 2018 and 23,900,000 in 2017.

**Required:**

- i) From the information above, compute for the two financial years, the following ratios:
- Gross Debt
  - Net Debt percentage
  - Debt per Capita
  - Debt to Gross Domestic Product ratio
  - Total Asset to debt
  - Capital Asset per Capita (6 marks)
- ii) Based on the ratios computed, write a report discussing and analysing the financial position of the Consolidated Fund to the Head of a “think tank” of a Civil Society Organisation for Financial Accountability. (6 marks)

**(Total: 20 marks)**

#### QUESTION FOUR

- a) In the recent Auditor General’s Report, your organisation has been indicted for mismanagement of public assets contrary to public financial management rules. The auditors found that three (3) Toyota vehicles which have no service potential to the entity (all exceeding 12 years in age) are left at the mercy of the weather without disposing them. At the Public Accounts Committee hearing, members were unhappy with the development and recommended that the entity disposes of the assets immediately in accordance with the provisions of the Public Procurement Act, 2003 (Act 663) as amended by the Public Procurement Amendment Act, 2016 (Act 914). Unfortunately, the Head of the entity seems not to have any clue of how this should be done.

**Required:**

Write a memo to the Head of the Entity explaining the procedures involved in disposing of the vehicles under the Public Procurement Act 2003 as amended. (6 marks)

- b) You are the Head of Accounts of a large public hospital. A major component of a critical X-Ray machine is damaged and requires immediate replacement. However, the Head of the Procurement Entity who doubles as the Director of the Hospital is insisting that the procurement should be carried through competitive tendering so as not to incur the wrath of the Auditor General. He lamented “I hate single sourcing because it has too much issues, I don’t want any problem”. Nevertheless, you feel strongly that single sourcing is the most appropriate method of procurement given that the amount involved falls within the threshold authorised by the Public Procurement Act, 2003 (Act 663) as amended by the Public Procurement Amendment Act, 2016 (Act 914).

**Required:**

As the Chief Accountant, write a memo to the Head of the Entity, justifying the appropriateness of the use of single source method to procure the component of the X-Ray

Machine based on the Public Procurement Act, 2003 (Act 663) as amended by the Public Procurement Amendment Act, 2016 (Act 914). **(4 marks)**

- c) Public Partnerships ( PUPs) is a partnership between a government body or public authority and another such body or a non - profit organization to provide services and / or facilities, sometimes with a goal of transferring technical skills and expertise within international development projects.

**Required:**

- i) State and explain any **FIVE (5)** benefits the Government of Ghana can derive from Public Partnership. **(5 marks)**
- ii) Explain any **FIVE (5)** guiding principles of any good arrangement you think the Government of Ghana should enter into Public Private Partnership Arrangement. **(5 marks)**

**(Total: 20 marks)**

**QUESTION FIVE**

- a) According to Section 52 of Act 921, “A principal Spending Officer of covered entity, State – Owned enterprise or public corporation shall be responsible for the asset of the institution under the care of the Principal Spending Officer and shall ensure that proper control systems exist for the custody and management of the Assets”.

**Required:**

- i) State and explain **TWO (2)** objectives for which spending officers are required to ensure the existence of proper control systems. **(4 marks)**
- ii) State and explain any **THREE (3)** circumstances under which the Principal Spending Officer is discharged of accountability over government stores. **(6 marks)**
- b) As part of the measures for regulating the Financial Management systems of Public Sector Entities, Government through Public Financial Management Act, 2016, (Act 921) established the Treasury Single Account (TSA).

**Required:**

- i) Explain what is meant by *Treasury Single Account*. **(2 marks)**
- ii) Explain any **THREE (3)** purposes for the establishment of Treasury Single Account. **(3 marks)**
- c) State **THREE (3)** conditions that must be met by a Principal Spending Officer before payment is made by a covered entity. **(3 marks)**
- d) Explain the difference between *planning* and *budgeting* in the public sector. **(2 marks)**

**(Total: 20 marks)**

## SOLUTION TO QUESTIONS

### QUESTION ONE

- a) Notes to the financial statements provides more information that contained on the face of the financial statement and this enhances the understandability of the financial statements. **(1 mark)**

Notes to the accounts provides information on:

- **Accounting policies applied to the preparation of the financial statement.**  
Under the accounting policy, the preparer provides information on the accounting policies that have been applied in the preparation and presentation of the financial statements. Accounting policies usually covers the basis of accounting, recognition and measurement, depreciation, foreign exchange transaction etc. In the section, a statement of compliance to standards and legislations are made. For example, a statement indicating the financial statements are prepared in compliance with IPSAS. **(1 mark)**
- **Extracts or schedules**  
These notes provide the details of amounts shown on the face of the financial statement. It provides a disaggregated information on values disclosed on the face of the financial statement. **(1 mark)**
- **Additional explanations**  
These notes provided further information about events and transactions that are not captured on the face of the financial information but provides relevant information on the sustainability of service potential of the entity. Under the cash basis, information that are reported on other basis but cannot be shown on the face of the financial statement are reported in the notes to the financial information. **(1 mark)**

b)

i) **Land and Building**

Accounting policy relating to Land and Building covers cost measurement and recognitions and depreciation policies.

**Cost Measurement and Recognition**

- Initial recognition of land and building is at historical cost. Subsequent recognition is on carrying amount or revaluation.
- All acquisitions of land and building as well as improvements will be capitalized when the criteria of recognition in accordance with the IPSAS are met.
- Land and building should be derecognized when potential benefits cannot be expected to from to the entity.

**Depreciation/impairment**

- The depreciable/amortization amount of building be allocated over its useful life in accordance with the depreciation method.

- It is assumed that the residual value for all assets will be zero
- The calculation of depreciation/amortization will stop where an asset is disposed of, held for sale or is fully depreciated.
- Impairment of building should be written off.
- The calculations of depreciation will commence in the year the asset is put to use for its intended purpose.
- Impairment loss shall be recognized immediately in the Covered Entity's income statement, unless the asset is carried at a revalued amount.
- Where the impairment loss relates to a revalued asset, the impairment is firstly offset against its revaluation reserve balance. Any remaining impairment loss shall be recognized immediately in Covered Entity's Income Statement.
- After recognizing the impairment loss, the depreciation charge shall be adjusted by taking into account the revised carrying amount, residual value and remaining useful life.

(Any 3 items for 3 marks)

**ii) Inventory**

**Accounting policy for inventory is as follows.**

**Measurement**

- Inventory for sale shall be recognized at lower of cost and net realisable value.
- Inventory not for sale shall be recognized at lower of cost and current replacement cost.
- Inventory acquired through non-exchange transaction should be measured at fair value at the date of acquisition.

**Recognition**

- Inventory sold, exchanged or distributed shall be recognized as expense at carrying amount in the period in which the revenue relates, exchange or distribution is made.
- Write offs in inventory should be recognized as expense in the period it relates.

(Any 3 items for 3 marks)

**c)**

- (i) According to the Conceptual Framework, the objective of measurement is to select those measurement bases that *most fairly reflect the cost of services, operational capacity and financial capacity* of the entity in a manner that is useful in holding the entity to account and for decision-making purposes.

This implies that the choice of measurement basis should ensure that the basis provides useful information that enables the users to assess the cost of services provided, the operational capacity of the entity and the capacity of the entity to fund its activities.

(Award 3 marks when all the key terms are indicated in the candidate's explanation)

(1 mark for the Implication)

(ii) The selection of the measurement bases is guided by the extent to which the basis fairly reflects information on the cost of service, operational capacity and financial capacity of the entity.

- **Human resource software package developed by the entity.**

This is an intangible asset developed by the entity. The most appropriate measurement basis is **historical cost** since the cost of developing the software package can be determined reliably. Historical cost is the consideration given to acquire or develop an asset, which is the cash or cash equivalents or the value of the other consideration given, at the time of its acquisition or development. In the instant case, historical cost is most appropriate measurement basis because it fairly reflects the:

- ✓ Cost of service through the amount of the resources expended to acquire or develop assets consumed in the provision of services.
- ✓ Operational capacity through information on the resources available to provide services in future periods based on their acquisition cost.
- ✓ Financial capacity by providing information on the amount of assets that may be used as effective security against borrowing.

- **Stock books in the library**

For this asset, **current value** measurement basis is most appropriate to reflect the economic environment prevailing at the reporting date. Specifically, **replacement cost** is the measurement basis that fairly reflect the cost of service, operational capacity and financial capacity of the library books. Replacement cost is the most economic cost required for the entity to replace the service potential of an asset at the reporting date. The use of replacement cost the stock of the library books provides information that fairly reflects the:

- ✓ Cost of service to be equivalent to the amount of sacrifice of service potential incurred by that use.
- ✓ Operational capacity by the resources available to provide services in future periods, a sit focused on the current value of the assets and its service potential to the entity.

Note that financial capacity is note reflected by replacement cost basis as it does not provide information on the amounts that would be received on sale of asset.

- **Vehicle donated to the entity**

Since the vehicle was donated to the entity, it lacks purchase cost. The appropriate measurement basis is the market value. **Market value** is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Vehicle is traded in the open, active and orderly markets so obtaining the market value is practicable. Market value of the vehicle fairly reflect the:

- ✓ Cost of service by allocating the cost of assets to reflect their consumption in the current reporting period based on current market values of the vehicles.
- ✓ Operational capacity by providing information on the market value of assets held to provide services in the future periods.

- ✓ Financial capacity by providing information on the amount that would be received on the sale of the assets.

**(Award 1/2 marks for each point raised with maximum of 4 points per each asset measurement.**

**1/2 marks \* 4 \* 3 = 6 marks)**

**(Total: 20 marks)**

## QUESTION TWO

a)

<b>Bunsu Education College</b>			
<b>Statement of Financial Performance for the year ended 31 December 2018</b>			
<b>Revenues</b>	<b>Notes</b>	<b>GH¢'000</b>	<b>GH¢'000</b>
GOG grant			1,540,000
Internally Generated Funds	2		14,427,492
Donations			<u>9,066,828</u>
Other incomes			<u>211,430</u>
			25,245,750
<b>Expenditures</b>			
Compensation for employees	3	8,385,270	
Goods and services	4	2,237,444	
Social benefit		1,720	
Interest		1,720	
Consumption of fixed capital	7	1,264,214	
Other expenses	6	79,100	<u>11,969,468</u>
Net Operating Result			<u><u>13,276,282</u></u>

b)

<b>Bunsu Education College</b>		
<b>Statement of Financial Position as at 31 December 2018</b>		
	<b>Notes</b>	<b>GH¢,000</b>
<b>Non-current Assets</b>		
Property, plant and equipment	7	16,028,286
Work in Progress		<u>8,250,015</u>
Total Non-Current Assets		<u>24,278,301</u>
<b>Current Assets</b>		
Cash and cash equivalent		294,233
Receivable (468,050 -9361)	5	458,689
Inventory		<u>155,254</u>
Total current Assets		<u>908,176</u>
Total Asset		<u><u>25,186,477</u></u>
<b>Liabilities and Fund</b>		
Payable	8	696,325
20% Loan		<u>8,600</u>
		704,925
Accumulated fund	9	<u>24,481,552</u>
		<u><u>25,186,477</u></u>

## Notes to the financial statement

1. Accounting Policy was not required by the question so no need to spend time writing accounting policies.

2. Internally Generated Fund	GHC'000
Fees income	4,575,622
Consultancy fees	655,600
Admission forms	9,196,270
	<u>14,427,492</u>

3. Employees Compensation	GHC,000
Allowance	856,670
Establish post	5,312,430
Non establish post	1,253,600
Books and Research allowance	337,530
Project work allowance	48,500
Superannuation	278,500
End of service benefits	298,040
	<u>8,385,270</u>

4. Use of Goods and Services	GHC'000
Legal cost	25,059
Consultancy cost	800,000
Seminar cost	500,000
Training and Workshop Cost	104,000
Utilities	560,053
Increase in Provision for doubtful debt (Note 5)	4,421
Opening inventory	399,165
Closing inventory	(155,254)
	<u>2,237,444</u>

5 Provision for doubtful debt	
Fees outstanding for 2018 (0.4 *468,050)	<u>187220</u>
Provision for doubtful debt 2018 (@5%)	9361
Provision for doubtful debt 2017	4940
Increase in provision	<u>4421</u>

<b>6. Other expenses</b>	<b>GH¢,000</b>
Trial balance	71,000
Sponsorship	8,100
	<u>79,100</u>

**7. Non-current Asset Schedule**

	Plants & Machinery	Motor Vehicle	Building	Software	Total
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
<b>Cost/valuation</b>	<u>3,000,000</u>	<u>2,505,000</u>	<u>12,300,000</u>	<u>995,500</u>	<u>18,800,500</u>
Less.					
depreciation					
Balance b/d	250,000	352,000	756,000	150,000	1,508,000
Charge for the year	<u>375,000</u>	<u>501,000</u>	<u>246,000</u>	<u>142,214</u>	<u>1,264,214</u>
	<u>625,000</u>	<u>853,000</u>	<u>1,002,000</u>	<u>292,214</u>	<u>2,772,214</u>
Carrying Amount	<u>2,375,000</u>	<u>1,652,000</u>	<u>11,298,000</u>	<u>703,286</u>	<u>16,028,286</u>

<b>8. Payables</b>	<b>GH¢,000</b>
Payables per trial balance	182,840
Consultancy cost	234,500
Book & Research All. (337,530-150, 765)	186,765
Interest payable (8,600 x0.2)	1,720
Tax withholding	90,500
	<u>696,325</u>

NB. Social benefit was not included in the payable since its inclusion in work in progress was deemed to be paid for as no corresponding payable was separately created in the trial for it.

<b>9. Accumulated Fund</b>	<b>GH¢,000</b>
Trial balance	11,205,270
Net Operating Result	13,276,282
	<u>24,481,552</u>

b)

**i) Guiding principles for formulating accounting policy**

When management is formulating accounting policy the guiding principle is that the policy should results in information that is:

- Relevant to the decision-making needs of users
- Reliable, in that the financial statements:

- ✓ Represent faithfully the financial position, financial performance, and cash flows of the entity
- ✓ Reflect the economic substance of transactions, other events and conditions, and not merely the legal form
- ✓ Are neutral, i.e., free from bias
- ✓ Are prudent
- ✓ Are complete in all material aspects
- ✓ Consistent

**(2 points for 2 marks)**

**ii) Change in accounting policy**

- IPSAS 3 insists on ensuring consistency of accounting policy. However, a change in accounting policy may occur under two accepted conditions:
  - When the change is required by an IPSAS, or
  - When the change is made by management on the grounds that it results in reliable and more relevant information.

**(2 points for 2 marks)**

**iii) Accounting treatment of change in accounting policy**

- If a change in accounting policy is required by an IPSAS, follow that pronouncement's transition requirements.
- If none is specified, or if the change is voluntary, apply the new accounting policy retrospectively by restating prior periods.
- If restatement is impracticable, include the cumulative effect of the change in net assets/equity.
- If the cumulative effect cannot be determined, apply the new policy prospectively.

**(2 points for 2 marks)**

**(Total: 20 marks)**

### QUESTION THREE

- a) Value for Money is concerned with obtaining the best possible combination of services from the least resources. It is thus, the pursuit of economy, efficiency and effectiveness.

Below are the mechanisms used to achieve value for money.

- **Economy**  
Economy is the term and condition under which an organization acquires human and material resources of the appropriate quality and standard at the lowest cost. From this **procurement will be a purchasing activity whose purpose is to give the purchaser best value for money** and that for complex purchases, value may imply more than just price since quality issues also need to be addressed.
  
- **Efficiency**  
Efficiency as the relationship between goods and services produced and resources used to produce them. An efficient operation produces the maximum output for any given set of resource inputs; or, it has a minimum input for any given quantity and quality of services provided In addition, efficiency implies practicality, especially in terms of compatibility with the government's administrative resources and professionalism.
  
- **Transparency & Accountability (Ethical Standards)**  
Good procurement holds its practitioners responsible for enforcing and obeying the rules. It makes them subject to challenge and to sanction, if appropriate, for neglecting or bending those rules. Accountability is at once a key inducement to individual and institutional probity, a key deterrent to collusion and corruption, and a key pre-requisite for procurement credibility.
  
- **Accountability and fairness in public procurement**  
Accountability and fairness are three cardinal pillars that procurement reforms seek to achieve in that a very fair and accountable procurement system helps in the efficient utilization of the state resources judiciously. Procurement practitioners need to be very fair in their day-to-day dealings with their suppliers and potential bidders and the public at large in order to earn the trust of the various actors within the procurement system. Accountability refers to the process of holding an individual or an organization fully responsible for actions and functions they are engaged in and over which they have authority to exercise those functions.

- **Competition**

Competition has been regarded as one of the most important factors in attaining value for money in Public sector. This is on the premise that competition amongst bidders can lead to improvements in pricing and alternative means of delivering VFM. Competition can either be for the market (i.e. in the bidding process) or competition/ contestability in the market which occurs after the contract is concluded and is in operation. On the contrary, the absence of competition or potential entry would lead to difficulties in attaining higher efficiency and value for money.

**(4 points well explained @ 2 marks each = 8 marks)**

**NB: The emphasis of the question is not on elements of value for money (economy, efficiency, effectiveness and equity) but ways by which value for money could be attained.**

**b) Computation of Given ratios**

i)

	2018	2017
Gross Debt (interest bearing liabilities) GH¢'m	128,640	114,400
Net Debt percentage (Financial Asset -Gross Debt) GH¢'m	-114,290	-98,520
Domestic Debt per Capita (Debt/Pop*) GH¢	5145.60	4786.6
Debt to GDP (Debt/GDP*100) %	62.72	61.64
Total Asset to debt (Total Asset/ debt *100) %	16.71	21.04
Capital Asset per Capita (Capital asset/pop) GH¢	568.00	736.00

**(12 ticks @ 0.5 marks = 6 marks)**

ii) Report of the Financial Position of the Consolidated Fund for 2018 financial year.

**Introduction**

The financial position of the Consolidated Fund has been analysed using some ration and other indicators. The report examines the financial condition of government based on the assets and liabilities disclosed in the financial reports.

**Discussions and Analysis**

Gross debt measures the total interest-bearing liabilities of the Consolidated Fund. The result shows an increase in total debt of government from GH¢114.4 billion in 2017 to GH¢128.64 billion in 2018, a percentage increase of 12.45%. This gives a bad signal for the financial position of the government as this will negatively affect financial performance of subsequent years in the form of high interest expenses. The debt sustainability of the country is threatened by a high debt to GDP ratio which is in the increase from 61.64% in 2017 to 62.72% in 2018. Domestic debt per

capita also increase from GH¢4786.60 in 2017 to GH¢5145.60 in 2018 showing increasing debt burden of each citizen. Thus, the debt position of the Consolidated Fund is not encouraging and it has serious consequences for sustainability and future service delivery.

The use to which the debt is put is very important. The ratios included that the debt might have been used for current purposes and repayment of matured debt. The net debt position is unfavourable deepening from GH¢98.5 billion in 2017 to 114.3 billion in 2018. This shows that debt stock of the Consolidated Fund is not backed by adequate financial assets and this increase the countries risk exposure. The amount of debt used in the acquisition of capital infrastructure is insignificant. The result shows that only 21% of debts reflects in capital infrastructure in 2017 but drop further to only 16% in 2018. This shows that the debt is being used for recurrent spending and debt pay offs. This trend is disturbing more when the capital asset per capital is very low. The negligible amount of GH¢736.4 share of capital assets by individual citizen in 2017 further drop to GH¢568 in 2018.

### **Conclusion**

It is observed that the financial condition of the Consolidated Fund is precarious and a drastic measures and reforms are required to reverse the trend. Effective debt management policies are needed to reverse the situation. The use of debt for financing recurrent expenditures should be avoided as much as possible.

**(Award 1 mark each for introduction and conclusions. 1 mark for any point raised to the maximum of 4 points. = 6 marks)**

**(Total: 20 marks)**

## QUESTION FOUR

- a) Under the Public Procurement Act 2016, the authority to dispose of the vehicle and the procedure used are very important.

The procedures involved are as follows

- **Establish a Board of Survey**

The authority to dispose of is vested in a Board of Survey. Head of procurement entity shall convene a board of survey comprising representative of the departments with vehicle, unserviceable, obsolete or surplus stores, plant and equipment which shall report on the items and subject to a technical report from them, recommend the best method of disposal after the officer in charge has completed the board of survey form.

- **Approval of Board of Survey's recommendation**

The board of survey's recommendation shall be approved by the head of procurement entity and the items shall be disposed of as approved. Note that for items that become unserviceable for reasons other than wear and tear, disposal guidelines issues by the Board of procurement authority. However in the case of the vehicles, they become unserviceable due to wear and tear so this rule does not apply.

- **Procedures for disposal**

Procedure should be carried out based on the recommendations of the Board of Survey. The procedures approved under the Procurement Act 2016 include:

- ✓ Transfer to government department or other public institution with or without financial adjustment.

When this procedure is recommended by the BOS, the entity will enter into agreement with another public sector entity to transfer the vehicle to them for a charge or no charge to the receiving entity. However, in the case in question, this method may not be appropriate since the vehicle is completely out of service and giving it to another entity may cause a financial burden to public purse.

- ✓ Sale by public tender to the highest bidder, subject to reserve price

When this option is recommended, the entity has to arrange for a public tender and invite tenders for the sale of the vehicle. Under sale by public tender the services of auctioneer is not required.

- ✓ Sale by public auction, subject to reserve price

Here a professional Auctioneer in good standing should be appointed by the entity to carry out the disposal on its behalf.

- ✓ Destruction, dumping or burying as appropriate

Only appropriate when the vehicle has not use at all.

**(Award 1 mark for any correct point raised to maximum of 6 points = 6 marks)**

b)

Name of Hospital

Memo

To: Director  
From: Chief Accountant

Date 15 July 2019

Subject: **Procurement of X-Ray Component**

As we have discussed at the just ended management meeting concerning the above subject matter, I wish to provide you with some information to support our use of single source procurement for the X-Ray equipment, despite your strong reservation for it at the meeting.

I agree that the use of single source procurement raises questions because it is a high-risk method of procurement. However, the Public Procurement Act 2016 (Amendment), Act 914 has permitted the use of single source procurement under certain exceptional circumstances. Under the law single source procurement is allowed when:

- i) Goods or services are only available from a single supplier or the supplier has exclusive right.
- ii) Urgent need for the GWS not caused by dilatory conduct of the procurement entity, making it impracticable to use competitive methods
- iii) Occurrence of catastrophic even making the use of competitive method impracticable.
- iv) Contract for research, experiment, study or development not for commercial purpose.
- v) Procurement has implications for National security
- vi) Where additional supplies need to be procured from a supplier who had made supply in the immediate to ensure standardization and compatibility with existing goods or equipment.

Our use of single source procurement for the procurement of the X-Ray component is justifiable on the ground of circumstance (i) and (ii) above. All that we have to do is to apply to the public procurement authority for approval.

Kindly consider this fact.

Thank you

Johnson

**(Award 1 mark for format and 1/2 marks each for any point raised to maximum of 6points = 4 marks)**

c)

**i. Benefits the Government of Ghana can derive from Public Partnership**

- It will provide better infrastructural solution than initiative that is wholly Public
- It will result in faster project completion and reduce delay on infrastructural project by including time to completion as a measure of performance.
- Greater efficiency of the Public Public Partnership will reduce government budget and budget deficit.
- High quality standard are better obtained and maintained throughout the life cycle of the project
- P3s that reduced costs potentially can lead to lower taxes since the government can have options of financing its expenditure than burdening its citizens through increase taxes
- PUPs allows 2 or more public or non-governmental organization to join forces and leverage their shared capacities
- PUPs allows multiple public organization to pool resources and technical expertise in achieving Government objective.

(1 mark for 1point each =5marks)

**ii. FIVE (5) guiding principles of any good arrangement you think the Government of Ghana should enter into Public Private Partnership Arrangement.**

- **Value for money:** value for money is paramount and PPPs should give greater value for money than the best realistic public sector project designed to achieve similar service outputs. Achieving value for money is a key requirement of government at all stages of a project's development and procurement and is a combination of the service outcome to be delivered by the private sector, together with the degree of risk transfer and financial implications for government. Value for money is the driver for adopting the PPP approach, rather than capital scarcity or the balance sheet treatment.
- **Risk allocation:** An efficient risk allocation is vital in determining whether value for money can be achieved in PPP projects. GoG's principle with regards to risk allocation shall be used to optimize, rather than maximize, the transfer of project risks to the private party. Risks will therefore be allocated to the party best able to control and manage them in such a manner that value for money is maximized. The allocation of risk will therefore determine the chosen method of private sector involvement and allocation of responsibilities, which shall take into account the protection of the public interest.
- **Ability to Pay:** end user ability to pay shall be a key consideration for all PPP projects. The PPP option must demonstrate long-term affordability to the public and overall Government budgetary sustainability, forward commitments in relation to public expenditure and the potential for returns on private sector investment, given other priorities and commitments.
- **Local content & technology transfer:** PPP projects shall be structured to encourage the maximum use of local content and technology transfer. As much as possible,

the PPP arrangement shall facilitate the promotion of local industries and the private sector in Ghana.

- **Safeguarding Public interest and consumer Rights:** GoG is committed to ensuring that each PPP project shall have positive impact upon the public interest. The following principles shall be addressed in PPP transactions: Safeguards to users particularly vulnerable groups and Setting affordable user charges and tariff structures
- **Environmental, climate and social safeguards:** The Government shall ensure that PPP activities conform to the environmental laws of Ghana and the highest standards of environmental, climate and social safeguards.

**(1 mark for 1 point each well explained =5marks)**

**(Total: 20 marks)**

## QUESTION FIVE

a)

**i) Objectives of ensuring proper existence of control systems**

- Preventive mechanisms are in place to eliminate theft, loss, wastage and misuse; and
- Processes, whether manual or electronic, and procedures are in place for effective, efficient, economical and transparent use of the assets.

**(2 marks for 1points each explain=4marks)**

**ii) Circumstances under which the Principal Spending Officer is discharge of accountability of government stores**

- The principal Spending Officer is discharged of accountability of Government stores where the store have been;
- Consumed in the course of public business and records are available to show that the stores have been consumed;
- Worn out in the normal course of public business and deletion from the accounts has been approved by the Minister and they have been disposed of in accordance with the directives of the Minister; or
- Lost, stolen, destroyed, damaged or rendered unserviceable other than by fair wear and tear and deletion from the accounts has been approved by Parliament.

**(2marks for every 3points each explain = 6marks)**

b)

**i) Treasury Single Account (TSA)** is a set of linked bank accounts through which the government recognizes all its receipts and payments and obtains consolidated view of its cash resources at the end of each day. TSA is a unified structure of government bank accounts which enables the consolidation and optimum utilization of government resources. TSA strategy is geared towards the rationalization of government bank accounts with commercial banks and both implementation of bank accounts tracking system (B-Tracking) which is to give Controller and Accountant General Department and all Ministries Departments and Agencies (MDAs)/ Metropolitan, Municipal and District Assemblies the opportunity of having real- time visibility of all government bank accounts with the commercial banks and the investment of government cash balances with both the BOG and the Commercial Banks. It is established under PFM Act 2016, (Act 921).

**(2 marks explaining this point)**

**ii) Purposes for Treasury Single Account (TSA)**

- Treasury Single Account enhances the effectiveness of PFM systems. It makes it possible to monitor all payment mechanisms precisely and improves the quality of fiscal data.
- It ensures effective aggregate control over government cash balances
- It is meant to provide consolidated view of Government cash resources

- The full implementation of TSA is expected to contribute to the improvement in Treasury
- Operations and consequently facilitate better service delivery.

**(1 mark for 3 points = 3marks)**

c) A principal spending officer makes payment only when:

- The payment has been budgeted for and approved by Parliament.
- Warrants have been given by the Minister of Finance
- Valid commitments entered for the expenditure in the GIFMIS
- Certificate of completion of work is issued by the principal pending officer.
- When valid Store receipt Advice (SRA) is issued from the Store.

**(1 mark for 3 points = 3marks)**

d) Government needs to plan its activities, programmes and projects by setting clear objectives and targets for a given period. Fiscal planning refers to government's anticipation of revenues, spending and financing within the planning period. Fiscal planning involves determination of government revenue, spending and borrowing for the ensuing year. Fiscal planning is very important in government budgeting as it provides the macroeconomic and fiscal framework within which budget is implemented.

Therefore, planning relates to fiscal planning which entail policy making stage of the budgeting process. It is the fiscal policies that influence the budget statement. Budget on the other hand is the expressing of government policies and programmes in some quantitative terms. It relates government spending to the attainment of fiscal and economic policies of government.

**(2 marks)**

**(Total: 20 marks)**

## **DETAILED QUESTION BY QUESTION ANALYSES**

### **QUESTION ONE TO FIVE**

Candidates seemed to be familiar with Receipts and Payments Accounts and Revenue and Expenditure Accounts of the Consolidated Fund. When question (2) focused on an educational institution, many candidates floundered miserably. Question (3) b) tested the candidates ability to use ratios to interpret Government Accounts and to present the solution in a report form. Here, again the candidates performed very poorly, many, in fact, scoring 0. Again, quite sadly, many candidates did not know the difference between a memorandum and report writing.