

INSTITUTE OF CHARTERED ACCOUNTANTS (GHANA)



**MAY 2011 EXAMINATIONS
(PROFESSIONAL)**

PART 3

**PUBLIC SECTOR ACCOUNTING
(Paper 3.2)**

Attempt ALL Questions

TIME ALLOWED:

| | | |
|--------------------|---|------------|
| Reading & Planning | - | 15 Minutes |
| Workings | - | 3 Hours |

QUESTION 1

- (a) The National Pensions Act, 2008 provides for pension reform in the country by the introduction of a contributory three-tier pension scheme, the establishment of National Pension Regulatory Authority and National Insurance Trust to manage the basic Social Security Scheme.

Mention **three (3)** objectives of the National Pensions Scheme.

(3 marks)

- (b) Incurring of Public Debt by the Government of Ghana has been argued at public discourse as a necessary evil. Discuss.

(6 marks)

- (c) Explain the following expressions as used in Public Sector Accounting.

- (i) Above-the-line-Accounts
- (ii) General Revenue Balance
- (iii) District Assembly Common Fund
- (iv) Fund

(6 marks)

- (d) In approving the formula for sharing the District Assembly Common Fund, Parliament by a consensus decision in 1997 resolved that 60% of the 10% of DACF allocation to the reserve fund be shared on parliamentary constituency basis and that the utilization of the amount be for projects selected and approved by the Member of Parliament.

State **five (5)** guidelines for the selection of projects by the Member of Parliament.

(5 marks)

(Total: 20 marks)

QUESTION 2

- (a) During the course of the financial year, the Minister under the authority of the president shall review the Budget. Where in the course of the review, it is found that the amount of money appropriated by the Appropriation Act for any purpose is insufficient, a supplementary budget estimate showing the sum required shall be laid before Parliament for approval.

State and explain **three (3)** circumstances that may give rise to the request for supplementary estimate.

(6 marks)

- (b) State the duration of appropriation and warrants.

(2 marks)

- (c) There are two major types of assets listed on the Consolidated Fund Balance Sheet. These are financial and non-financial assets. All public sector assets are economic assets and they are entities over which **ownership rights are enforced** by institutional units, individuals, or collectively owned.

Mention and explain **four (4)** methods used in valuing public assets listed on the Consolidated Balance Sheet.

(4 marks)

- (d) It is the task of government to provide essential services to the community. The maintenance of law and order, building of roads and ports, schools and hospitals and countless other activities necessary to a modern nation. But in order to provide these services, the government must be able to finance them by ensuring that there is a sufficient flow of money into its hands to enable it to pay for the work it must undertake.

Give **four (4)** examples of each of the following sources of revenue to the government.

- (i) Import duties
- (ii) Fines, penalties and forfeitures
- (iii) Domestic taxes on goods and services
- (iv) Licences.

(4 marks)

- (e) The head of procurement entity shall convene a board of survey comprising representatives of departments with unserviceable, obsolete or surplus stores, plant and equipment. The board shall report on the items and, subject to a technical report on them, recommend the best method of disposal after the officer in charge has completed a board of survey form.

Outline the procedures for the disposal of obsolete and surplus items in a government department.

(4 marks)

(Total: 20 marks)

QUESTIONS 3

You have been posted to a new Government Agency as a Finance Officer and you are expected to set up an accounting system which requires an efficient and effective financial control mechanism.

Required:

- (a) What is financial control? (1 mark)
- (b) Identify **four (4)** benefits of financial controls. (4 marks)
- (c) List **four (4)** performance indicators you will require in the control process. (6 marks)
- (d) Briefly, explain the objective of the financial control review process that you will institute in the office to ensure sound financial management. (1 mark)
- (e) Briefly, state and explain **four (4)** public sector accounting systems that you are likely to adopt in your operations. (4 marks)
- (f) Identify **one (1)** benefit of each of the accounting systems identified in (e) above. (4 marks)

(Total: 20 marks)

QUESTION 4

- (a) The power to tax, borrow and create money to meet the aspirations of the Ghanaian public and raise their standard of living is based on sovereign authority of the state.

Required:

State and explain **four (4)** factors which the government will take into consideration to exercise this power.

(8 marks)

(b) Write short notes on the following terms as used in Public sector Accounting.

- (i) Notification of revised estimate
- (ii) Evasion of expenditure control
- (iii) Progressive Tax

(6 marks)

(c) The National Pensions Act 2008 established a body known as the Social Security and National Insurance Trust for the management of the basic Social Security Scheme.

Explain **three (3)** functions of the Social Security and National Insurance Trust.

(6 marks)

(Total: 20 marks)

QUESTION 5

The balance sheet of the Department of Forest Conservation as at 31st December 2009 is shown below:

Balance Sheet as at 31st December 2009

| | |
|--------------------------------|------------------|
| <u>Asset:</u> | GHS |
| Cash | 2,000,000 |
| Inventory | <u>400,000</u> |
| | <u>2,400,000</u> |
| <u>Liabilities & Funds</u> | |
| Unpaid salaries & allowances | 800,000 |
| Reserved fund-Inventory | 400,000 |
| Unreserved fund | <u>1,200,000</u> |
| | <u>2,400,000</u> |

During the year ended 31st December 2010, the following transactions took place:

The department got a Government of Ghana (GoG) funding of GHS3,500,000 for the year.

The revenue generated from the operations of the department was GHS1,200,000.

The department also received a grant from an NGO (non-governmental organization) to the tune of GHS3,300,000.

Out of the GHS1,200,000 internally generated fund, the department received GHS950,000 cash during the year.

Payment made during the year included the following:

| | GHS |
|-----------------------|-----------|
| Personal emoluments | 2,450,000 |
| Administration | 2,500,000 |
| Service activities | 1,500,000 |
| Investment activities | 1,000,000 |

The department, during the year, decided to reserve GHS200,000 for the replacement of a vehicle.

You are required to:

- (i) Prepare the ledger entries.
- (ii) Extract a trial balance.
- (iii) Prepare the income and expenditure account for the year.
- (iv) A balance sheet as at 31 December 2010.

Note The estimates for the year ended 31st December 2010 were as follows:

| | GHS |
|---------------------|-----------|
| GoG Funds | 4,000,000 |
| IGF | 2,000,000 |
| Donations | 2,500,000 |
| P E Expenditure | 1,800,000 |
| Administration | 2,700,000 |
| Services activities | 2,200,000 |
| Investments | 1,200,000 |

20 marks