

INSTITUTE OF CHARTERED ACCOUNTANTS –GHANA
PUBLIC SECTOR ACCOUNTING
SOLUTIONS MAY 2012

Question 1

a. Conditions possible for withholding of salary

- i. Being absent from duty without leave or reasonable cause or permission for a period as stipulated in the administrative regulations of the establishment.
- ii. Being absent from duty on leave without pay.
- iii. Being convicted of an offence involving theft, fraud or a sentence of imprisonment.
- iv. Resignation, retirement or death.

b. Advantages of ZBB

- i. It reveals items of expenditure within an organization which are not necessary are removed.
- ii. It is possible to identify and remove inefficient or obsolete activities or operations.
- iii. It adds a psychological impetus to employees to avoid wasteful spending
- iv. It brings in efficient allocation of resources to activities and departments.

c. Stages of Budget Preparation

- i. Formation of a Budget Committee
- ii. Budget forms are designed and circulated.
- iii. Budget forms are filled by various budget Centres
- iv. Heads of Budget Units are called to defend their budget proposals.
- v. Departmental budgets are collated into one budget.
- vi. Draft budgets are submitted to the Executive Committee
- vii. Executive Committee examines the budget and propose changes if necessary
- viii. The Assembly meets and approves the Budget.

d. Sources of money for the GETFUND

- i. Grants, donations, gifts and other voluntary contributions.
- ii. Interest incomes from the Fund Investments
- iii. Two and a half percent (2.5%) charge on goods and services – VAT
- iv. Other monies or property that may in any manner become lawfully payable and vested in the Board of Trustees for the Fund.
- v. Any money that may be allocated by Parliament for the fund.

Question 2

a. Four Financial Assets

- i. Cash in the hands of treasury officers or in the bank accounts operated by them or in transit between treasury officers or held by other agents on behalf of the Consolidated Fund.
- ii. Securities held on behalf of the government or of special fund.
- iii. Advances from the Consolidated Fund.
- iv. Equity investments of the Consolidated and any accumulated deficit of revenue and expenditure of the Consolidated Fund.

Financial Liabilities

- i. Trust monies held and administered by government
- ii. Public debt - being short, medium and long terms
- iii. Domestic and foreign debts
- iv. Any accumulated surplus of revenue and expenditure of the Consolidated Fund.

- b. **Capital Assets** include non-current assets, financial assets and non-financial assets
Non-financial assets include all economic assets other than financial assets. There are four categories namely: fixed assets, inventories, valuables and non-produced assets.

c. Modes of acquiring capital assets.

- i. Legislation
- ii. Purchase by cash or by production
- iii. Financial lease
- iv. Seizures / Debt Assumption
- v. Suppliers' Credit
- vi. Capital Transfers (loans)

d. Valuation of financial assets

- i. The value of the goods acquired or services received.
- ii. Monetary value
- iii. Use monetary value at the time of creation
The value changes at the time of liquidation or when the bond falls into arrears.
- iv. Monetary value or counterpart value on the basis that inflation remains constant

e. Benefits of Fixed Asset Register

- i. It shows inventory, identification numbers, locations, improvement cost, manufacturers, contractors and depreciation rate
- ii. Helps to carry out routine and regular inspection of the MMDA's assets
- iii. Helps to conduct property audit and ensure regularization of title to MMDA's landed property.
- iv. Preparation of budgets for repairs and construction of MMDA's property.

- v. Development of manuals as a guide to management and employee actions
- vi. Preparation of bid documents and evaluation
- vii. Participation in the development and acquisition of physical assets.

Question 3

a. i. cost associated with holding cost

- cost of hiring a place to keep the stock
- salaries and allowances of storekeepers and security
- obsolete and damage stock
- losses through pilfering and stealing
- losses through evaporation and leakages
- clerical and audit cost
- capital tied up

ii. Methods to minimize stock holding cost

- Stock should be kept at minimum but arrangement must be made for quick replacements. This will reduce the number of storekeepers and security to be kept.
- If stock is kept at minimum, the issue of obsolete stock shall be reduced.
- Care must be taken during delivery and packing of stock to reduce damages.
- Proper security must be kept to minimize or eliminate pilfering.

b. i. **Allocated Stores:** are those costs that are allocated to and remain a charge to the sub-head of expenditure for which funds are provided in the estimates. They may be either purchased directly or obtained from the unallocated stores stock.

ii. **Unallocated Stores** are those items purchased for general stock rather than for a particular work or service for which the final vote of charge cannot be stated at the time of purchase.

iii. **Expandable Stores:** are items purchased for use to replace existing ones been used currently when they are worn out. E.g. Shovels, pick-axes, brushes, brooms

v. **Consumable Stores:** are items purchased for daily use by the government organization. E.g. stationery, soap, tyres, fuel spare parts,

vi. **Un-expandable Stores:** are stocks purchased for use over a long period of time and it is of capital nature. E.g. plant & machinery, motor vehicles

c. Reasons / uses of Fund Accounting

- i. It allows for the demonstration of fiduciary stewardship. That is, it shows that resources have been handled in a proper way through proper procedures.
- ii. It assists in reaching fund's objectives based on policies and programmes, requirements of its implementation, monitoring and evaluation
- iii. It provides rules of accounting and responsibility of stewards who operate the funds.
- iv. In the public sector, diversity of functions and restrictions on how certain resources may be used makes it necessary to focus attention on individual areas of operation and to segregate resources provided for specific purpose. This is made possible by the use of Fund Accounting.
- v. Financial reporting on government is seen as a series of reporting units and Fund Accounting allows some flexibility in defining reporting units as entities as entities within an explicit framework of controls.

Question 4

a. Environmental Accounting

Environmental Accounting is the process incorporating environmental issues into the government financial reporting systems.

Environmental Accounting is often referred to as Green Accounting which incorporates environmental assets and their source and side functions into national accounts.

Reasons for considering Environmental Accounting

- i. Possible revenue generation may off-set environmental cost.
- ii. Environmental cost and benefits may be over-looked or hidden in overhead accounts.
- iii. Possible significant reduction or elimination of environmental costs
- iv. Benefitting from environmental products and services to the citizens
- v. Can support the development and running of an overall Environmental Management Systems (EMS) which may be required by regulation for some types of businesses.
- vi. Positive impact on human health by improving environmental conditions.
- vii. May result in more accurate costing or pricing of products and more environmental desired processes.

b. **i. Procurement Entity:** is any public institution or organization required to conduct procurement in accordance with the Public Procurement Law.

ii. Entity Tender Committee: is a committee set up within a public sector organization with the responsibility for planning, processing and generally dealing with procurement issues.

iii. **Tender Evaluation Panel:** each Procurement Entity shall appoint a Tender Evaluation panel, with the required expertise to evaluate tenders and assist the Tender Committee in its work. They may come from outside or from within the firm.

c. Stages or Processes in Ghana Public Borrowing

1. The Preparatory Stage: - this stage begins with the receipt or identification of project proposal by the Sector Ministers which calls for the loan financing and ends with the preparation of memorandum to the Cabinet for consideration and approval.
2. The Approval Stage: - after Cabinet approval, the memorandum is sent to parliament for approval. Parliament will approve the loan after debating on it.
3. The Signing and Execution Stage:- after the term loan is approved by Parliament, it is communicated to the minister for him to sign the agreement with the loan providers before disbursement can take place.

QUESTION 5

GOVERNMENT OF GHANA

STATEMENT OF REVENUE AND EXPENDITURE FOR THE
YEAR ENDED 31 DECEMBER, 2010.

REVENUE	GHC'000
Direct Tax	511,187
Indirect Tax	450,868
Tax on International Trade	273,013
Non-tax Revenue	123,159
Grants	248,870
Total Revenue	1,607,097
 EXPENDITURE	
Personnel Emoluments	596,586
Transfer to Households	118,222
Administrative Costs	201,218
Service Costs	92,529
Investment Costs	732,515
Public Debts Interest	239,465
Tax Refunds	8,895
Other Expenditures	394,674
Contingency	3,738
Total Expenditure	2,387,842
 Excess Expenditure over Revenue	 (780,745)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER, 2010

ASSETS	GH'000
Cash and bank balances	7,333,384
Advances	16,127
Loans	2,330,368
Investments	2,330,368
Total Assets	10,042,383
LIABILITIES AND ACCOUNTS RESULTS	
Public Debts	21,597,489
Deposits and Trust Funds	5,280,000
Net Accumulated Results	(16,635,106)
Total Liabilities and Accounts Results	10,042,383
Workings	
Net Accumulated Results Accounts	
Balance as at 1 Jan, 2010	(16,054,361)
Transfer from Revenue and Expenditure Accounts	(780,745)
Balance as at 31 Dec. 2010	(16,835,106)
Personnel Emoluments	
Mechanized payroll	397,880
Sub-vented Salaries	190,575
Foreign Missions salaries	8,131
	596,586
Administrative Costs	
Stationery	60,365
Utilities	40,244
Rent offices	20,122
Office cleaning	80,487
	201,218
Investment	
Vehicles purchased	73,500
Road construction	329,632
Equipment purchased	73,252
Hospitals constructed	109,877
Schools constructed	146,254
	732,515
Services	
International travels	15,422
Workshops and seminars	30,800
Consultancies	46,307
	92,529
Public Debt Interest	
Domestic Debt Interest	47,893
Foreign Debt Interest	191,572
	239,465