

SOLUTION 1

a. Dencedep Ltd

	GHC
Gross Amount	30,150,000.00
VAT – 15%	<u>3,932,608.70</u>
Amount without VAT	26,217,391.30
5% Withholding Tax	<u>1,310,869.56</u>
Net amount	24,906,521.74
Add VAT	<u>3,932,608.70</u>
	<u><u>28,839,130.44</u></u>

- i. VAT element payable to VAT Service is GHC3,932,608.70
- ii. Withholding Tax payable to Domestic Tax Division is GHC1,310,869.56
- iii. Net amount payable to Dencedep Ltd is GHC28,839,130.44

b. Restrictive Tendering

- i. Subject to the approval of the Board engaged in the procurement, Restrictive Tendering can be undertaken if:
 - Goods, works or services are available only from a limited number of suppliers or contractors.
 - The time and cost required to examine and evaluate a large number of tenders is disproportionate to the value of goods, works or services to be procured.
- ii. Procedures involved in Restrictive Tendering
 - Invitation of tenders from suppliers who can provide the services, goods or works
 - Selection shall be made in a non-discriminatory manner from the number of suppliers who have submitted tenders to ensure effective competition
 - There shall cause a notice of the selective tendering award to be published in a public procurement bulletin

c. Sources of Government Domestic Borrowing

- i. Issue of securities: - these are government borrowings through the issue of Treasury bills, Notes and Bonds on the domestic market.
- ii. Commercial Banks & Financial Institutions:- these are long term loans borrowed from the domestic banking sector and non-banking sector like SSNIT.
- iii. Domestic Supplier Credit:- these include the issue of letters of credit to local contractors to enable the contractors access credit facilities from banks. The contractors honour their obligations when the government pays them.

- iv. Advances from Bank of Ghana: - these are monies advanced to the government by the Bank from their reserves. The advances are refunded when the government has sufficient revenue.

d. Circumstances under which public funds can be invested.

- i. When approved by the Minister of Finance on specific terms
- ii. When the investment is not in government securities
- iii. When the securities are provided in the budget of the government agency as an activity item.

SOLUTION 2

a.

- i. A budget deficit is a type of budget where the estimated expenditure exceeds the estimated revenues
- ii. Sources of financing deficit budget include
 - Increase in taxation
 - Removal of government subsidies
 - Taking of external loans
 - Taking of internal loans
 - Printing of currency by the Bank of Ghana
- iii. Economic Implications
 - Increase in taxation – this will erode the purchasing power of the people. The real income of the people will reduce and this can lead to recession.
 - Removal of government subsidies - this can lead to inflation. Removal of subsidies shall make goods and services more expensive.
 - Taking of external loans – this option is not viable as external borrowings are normally used for developmental projects.
 - Taking of internal loans – it shall depend of the availability of disposable incomes.
 - Printing of currency by the Bank of Ghana – without a corresponding increase in goods and services, inflation can set in. printing of more currencies can lead to an increase in disposable income, higher demand for goods and services and ultimately increased economic activities and national income.

b.

- i. Hedging is a position established in one market in an attempt to offset exposure to price fluctuations in another market with the aim of minimizing risk. Hedging technique generally involves the use of complicated financial instruments known as derivatives.

- ii. Benefits of hedging
 - Consumers are likely to get the ex-pump prices of petroleum products at stable prices
 - Businesses are likely to manage their energy cost well.
 - It removes government subsidies on petroleum prices.

- c. Limitations of Activity Based Budgeting
 - i. It is prone to be over detailed.
 - ii. Too much details makes the budget preparation cumbersome
 - iii. There is excessive centralized control over budget implementation
 - iv. ABB is fragmented
 - v. It is difficult to measure performance and output
 - vi. Absence of a real strategic focus in MDAs budget with limited linkages between resource allocation and policy objectives

- d. Methods that can be used to reduce Ghana's debts
 - i. Issue of new bonds and stocks –

The issue of bonds, stocks and fixed income securities to the public serve as a medium to long term indebtedness. The holders of these securities are entitled to specific amount at maturity. The issue of new securities to replace ones reduces the pressure on government to meet the maturity dates of the old securities.
 - ii. Issue of Treasury Bills

Treasury Bills are short term borrowings having maturity of 91 days to two years. It offers liquid investment to its holders. Also, it enables the government to meet its short term debts.
 - iii. Sales of Govt. Assets

The divestiture of state-owned enterprises and the sale of government assets provide much needed liquid for redemption of some public debts
 - iv. Loans from other organizations

The government often overdraws on its current accounts to meet loan repayments. These are often loan facilities that the government may utilize to meet its obligations. Examples are loans from organizations like Cocoboard and other bilateral and multilateral organizations.
 - v. Concessional loans

These loans extend on terms substantially more generous than market loans. The concession is achieved through interest rates below the market rates. These concessional loans normally have long grace periods.
 - vi. Avoidance of payments of penalties

These constitute the government meeting its debt obligations on maturity dates to avoid the payment of penalties and additional interests.

SOLUTION 3

**GHANA DEVELOPMENT TRUST FUND
FUND STATEMENT OF ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2011**

	GHC'000	GHC000
Receipts		
Receipts from the Consolidated Fund		4,318
Interest on Fund Investments		315
External Grants Received		4,000
Internal Loans acquired		6,375
External Loans acquired		8,118
		<u>23,126</u>
Payments		
Rural Development	4,050	
Mining Development	1,863	
Air Transport Development	2,570	
Education Development	1,635	
Health Care	1,675	
Environmental Development	2,120	
Housing Development	1,348	
Defence Development	4,608	
General Administrative	1,053	
Trade Promotion	<u>1,115</u>	(22,037)
Excess of Receipts over payments		<u>1,089</u>

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER, 2011

ASSETS	GHC000
Fixed Deposits Investments	1,210
Cash & Bank	<u>2,110</u>
Total Assets	<u>3,320</u>
FINANCED BY	
Accumulated Fund	<u>3,320</u>

ACCUMULATED FUND

	GHC000
Balance as at January 1, 2011	2,231
Transfer into the Fund	<u>1,089</u>
Balance as at December 31, 2011	<u>3,320</u>

SOLUTION 4

- a)
- i. The National Pension Act 2008 provide for the following contributions to the two mandatory schemes
 1. An employer shall deduct from the salary of every employee at the end of the month, a worker's contribution of an amount equal to five and a half percent (5½%) of the worker's salary whether or not the salary is paid.
 2. An employer of an establishment shall pay for each month in respect of each worker, an employer's contribution an amount equal to thirteen percent (13%) of the worker's salary during the month
 - ii. Out of the contributions of 18½%, an employer shall within fourteen (14) days from the end of the month transfer the following to the mandatory schemes on behalf of the worker.
 1. Thirteen and a half percent (13½%) to the first tier mandatory basic National Social Security Scheme and
 2. Five percent (5%) to the second tier mandatory occupational pension scheme.
- b) Benefits to be derived from government equity investments
- i. Funds are made available to the company
 - ii. Government equity investments enable the government to gain control over the company
 - iii. Government receive income in the form of dividend when profits are declared
 - iv. Equity investment in a company creates employment to the citizenry.
- c) Sources of receipts into the Consolidated Fund
- i. Revenues– these are the direct and indirect taxes. Examples are personal income tax, custom duty, excise duty, VAT, etc.
 - ii. Other revenues – these constitute government borrowings, repayment of government loans and advances to government employees and companies, sale of government securities, divestiture and dividends / interest from investments and other funds.
- d) Features of Incremental Line Item Budgeting System
- i. The review of the current year's items against the budget which marks the beginning of the subsequent year's budget
 - ii. A distinction is made between committed and uncommitted items and resources
 - iii. A distinction is made between volume changes and price changes in localities
 - iv. A review is made of budgetary items which are deemed to be unachievable
 - v. Consideration is made of financing changes in activities which are ceasing and current year's provision
 - vi. Provision is made for inflation
 - vii. Provision is made for contingencies and contributions to resources

- viii. Provision is made for marginal changes between one year's and subsequent year's budget. Thus a current year's budget plus a percentage increase to attain the next year's budget.
- e) Ways by which government control public companies
 - i. Government powers can be exercised through the appointment of Chief Executives and members of Boards of management
 - ii. Government can exercise control by giving specific directions concerning prices production costs and social goals.
 - iii. Government uses the submission of annual reports as an opportunity to evaluate the performance of enterprises
 - iv. Public companies need to obtain government approvals and guarantees for long term loans
 - v. Public companies need to obtain government approval for their annual budgets.
 - vi. Government may specify the economic roles of state enterprises and the target rates of their return.

SOLUTION 5

- a) Sources of funding for GETFUND
 - i. Grants, donations, gifts, and other voluntary contributions to the Fund.
 - ii. Money that accrues to the Fund from investments
 - iii. Other monies to be allocated by parliament
 - iv. Other monies or property that may in any way become lawfully payable and vested in the Board of Trustee for the Fund
 - v. An amount of money equivalent to 2½% of net of the prevailing rate of VAT

**b) GOVERNMENT OF GHANA
REVENUE AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31
DECEMBER, 2011**

	WORKINGS	GHC, MILLIONS,	GHC' MILLIONS
REVENUE			
Direct Taxes			1,285
Indirect Taxes			500
Local Taxes			52
Sales of Goods & Services			51
Other Revenue			46
Investment Revenue			13
Petroleum Taxes			<u>642</u>
			2,589
EXPENDITURE			
Personnel Emoluments	1	377	
Goods & Services	2	380	
Investment cost	3	800	
Public Debt Interest	4	94	
Statutory Payments	6	300	
Grants & Subsidies		<u>66</u>	<u>(2,017)</u>
Excess Revenue over expenditure			<u>572</u>

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER, 2011

ASSETS	Workings	GHC' Million
Equity Investments in Bonds		65
Other Financial Instruments		190
Gold Holdings		19
Cash & Bank		133
Receivables		<u>74</u>
Total Assets		<u>481</u>
LIABILITIES & ACCUMULATED RESULTS		
Public Debts	5	966
Payables		103
Trust Funds		255
Total liabilities		1,324
Net Accumulated Results		<u>(843)</u>
		<u>481</u>

WORKINGS

GHC MILLIONS

(1) <u>PERSONNEL EMOLUMENTS</u>	
Salaries & Wages	152
Social Security Costs	11
Staff Pension Costs	42
Staff Allowances	<u>172</u>
	<u>377</u>
(2) <u>GOODS & SERVICES COSTS</u>	
Goods & Supplies Costs	84
Consultancy Costs	22
International Travels	12
Workshops & Seminars Costs	43
Utilities	38
Rent	47
Communication Costs	94
Repairs of Equipment Costs	<u>40</u>
	<u>380</u>
(3) <u>INVESTMENT COST</u>	
Property, Plant & Equipment	522
Investment Property Costs	35
Road Construction Costs	<u>243</u>
	<u>800</u>
(4) <u>PUBLIC DEBT INTEREST</u>	
Foreign Debts Interest	35
Domestic Debts Interest	<u>59</u>
	<u>94</u>
(5) <u>PUBLIC DEBTS</u>	
External Debts	201
Internal Debts	<u>765</u>
	<u>966</u>
(6) <u>STATUTORY PAYMENTS</u>	
District Assemblies Common Fund	148
GETFUND	<u>152</u>
	<u>300</u>
(7) <u>NET ACCUMULATED RESULTS</u>	
Balance as at January 1, 2011	(1,415)
Transfer from Revenue & Expenditure Statements	<u>572</u>
Balance as at 31 December, 2011	<u>(843)</u>