

QUESTION 1

(a) The objectives of the National Pension Scheme includes: -

- i. To provide pension benefit to ensure retirement income security for workers.
- ii. To ensure that every worker receives retirement and related benefits as and when due and
- iii. To establish a uniform set of rules, regulations and standards for the administration and payment of retirement related benefits for workers in the public and private sector.

(b) Argument for

- i. Public debts allows the government to raise funds to meet revenue short-fall.
- ii. Fund raised from public debt enable the government to carry out its socio-economic development agenda to improve upon the living standard of the citizenry.
- iii.

Argument against

- i. Repayment of the Principal and interest puts demand on the budget as it is not for goods and services for the period.
- ii. Sometimes when government is unable to raise enough income to pay the loan it has to cut back its programme to reduce expenditure to raise enough funds to pay back the loan. Therefore development projects suffer.
- iii. Some medium and long term loans have related conditionlalties. Some of these conditionlalties may not allow the government to carry out its own policies and socio-economic agenda.
- iv. International investors may be discouraged from investing in highly indebted countries.
- v. The government may seek to raise more funds to repay the loan by increasing taxes.

(c)

i. Above-the-line-Accounts

These relates to transactions forming part of the governments annual budget for the provision of goods and services for both recurrent and capital expenditure. These accounts have limited life span that is the lapse at the end of every year.

- ii. General Revenue Balance

The net balance of all the above-the-line-accounts is known as General Revenue Balance. It is made up of unspent revenue where expenditure has not yet been committed.

At the end of each financial year this balance is transferred below the line to reserves.

 - iii. District Assembly Common Fund

The Common fund Act, (Act 455) of 1993 defines the District Assembly Common Fund as a fund consisting of all moneys allocated by Parliament and interest and dividend accruing from investment and dividend accruing from investment of money from the common fund.

 - iv. Fund

A fund may be defined as independent accounting entity and must be accounted for using separate identifiable sets of accounts in such a way that it is possible to identify specific assets and liabilities that represent the balance on accounts.

A fund is a sub-division of fiscal activities, assets, liabilities, revenue and expenditures of the organization, related to the conduct of a specific function, activity or attainment of specific objective. Thus a fund is a separate accounting entity, operating within a framework of specific controls with self balancing set of accounts.

A fund may have: -

 - a. Transactions within itself.
 - b. Transactions with external parties.
 - c. Transactions with other funds of the same organization.
 - d. Each fund applies full double entry to record the transactions.
- (d) The selection of projects for support by Member of Parliament under the constituency fund should conform to National and District Development plans and objectives. Guidelines for the selection of projects by Member of Parliament are that the projects should:
- i. Fall within the scope of functions of the District Assembly.
 - ii. Correspond to the poverty reduction strategy of the District Assembly.
 - iii. Provide infrastructure in the area of education, health, road, streets and dams.
 - iv. Generate sustainable employment.
 - v. Aim at income generation and wealth creation.

- vi. Assist in disaster prevention and disaster relief.

QUESTION 2

- (a) Circumstances for the request for supplementary estimate include: -
 - i. When the head of the department considers provided for existing activities for the financial year to be insufficient he/she shall prioritize the activities and ensure that only critical activities are carried out. However, if the prioritization will jeopardize the production of essential output the minister shall apply for supplementary estimate.
 - ii. Introduction of activities shall only be considered at a later date if its introduction will be of public interest. The minister of finance shall sign a certificate of urgency indicating the reasons for the introduction to Parliament.
 - iii. Supplementary provision arising from general increase in cost of activities. Application for supplementary estimate shall be included to the Minister of finance through the sector minister if the required additional fund is as a result of unforeseen increase in cost of activities.
 - iv. Application for supplementary activities shall be made if the introduction of a new activity is as a result of unforeseen natural occurrence.

- (b) Except for statutory payments every appropriation by parliament of public money for the service of a financial year and every warrant or other authority issued under the FAA in respect of the financial year shall lapse and cease to have any effect at the close of that year and the unexpended balance of any moneys withdrawn from the consolidated fund shall be repaid to the consolidated fund.

- (c) Methods used in valuing public assets include: -
 - i. Use of current market value: This is the amount that would have to be paid to acquire the assets on the valuation date taking into consideration its usage, condition and other relevant factors.
 - ii. Similar assets traded in the Stock Exchange:
It may be possible to use information on assets traded on the Stock Exchange to value similar assets by analogy institutions making allowances for inferior marketability of the non-traded assets.
 - iii. Observed prices of assets of close substitutes:
Appraisal for tangible assets for insurance or other purposes generally are based on observed prices assets of close substitute.
 - iv. Using prices of replaced assets:

If an existing fixed assets is no longer being produced but has been replaced by an assets whose characteristics are significantly different in some specific aspects but otherwise broadly similar e.g. new models of vehicles or aircrafts then it may be reasonable to assume that the prices of the existing assets have moved in the same way as the prices of the currently being used.

v. Revaluation of the existing asset:

It may be possible to value assets at their initial cost plus an appropriate revaluation for subsequent price changes and minus allowances for consumption of the fixed assets capital through amortization or depletion.

(d) i. IMPORT DUTIES

General Import duties

VAT on Imports

Penalties on Import duties

Other (non-tax revenue)

ii. NON-TAX REVENUE

FINES, PENALTIES AND FORFEITURES

Court Fines.

iii. DOMESTIC TAXES ON GOODS AND SERVICES

Beer

Cigarettes

Spirits

Mineral Waters

VALUE ADDED TAX ON

Beer

Cigarettes

Spirit

Mineral water

Textile (Fabric)

Textiles (Apparels)

Soap

Cosmetics

Furniture

Salt

Radio & TV/ Elect. Prod

Rubber Products
Metal Products
Plastic Ware
Glassware
Aluminum Ware

PETROLEUM TAXES ON
Premium

- iv. LICENSES
Auctioneers
Game License
Dogs (Pet)
Fire-Arms
Goldsmiths
Hunters
Letter Writers
Mining, Dredging, Prospecting etc.
Motor lenders
Motor and Driving
Pawn Brokers
Petrol
Pharmacy and Poison
School fees

- (e) The procedure for the disposal of obsolete and surplus items in a government department include:
- i. Transfer to government departments or other public entities, with or without financial adjustment.
 - ii. Sale by public tender to the highest tendered, subject to reserve price.
 - iii. Sale by actions, subject to a reserve price.
 - iv. Distruction, dumping or burying as appropriate.

QUESTION 3

- (a) Overall process of reviewing and controlling financial resources.

- (b) Benefits of financial controls:
- It gives clear definition of responsibilities
 - It reflects current position of organisation.
 - It presents information that can be easily assimilated and understood.
 - It allows comparability of budgets with income and expenditure.
- (c) Financial
- Income
 - Expenditure
 - Commitments
 - Budgets

Public Sector Accounting Systems:

(e.) Vote Accounting

It is concerned with the receipt, custody, disbursement, and transfer of public and trust monies as required by law.

Fund Accounting

A fund is an independent accounting entity and must be accounted for using a separately identified set of accounts in such a way that it is possible to identify the specific assets and liabilities that represent the balance on the fund.

Project Accounting

It involves controlling, measuring and analyzing the activities and lifeline of a specific project.

Donor Support Accounting

This is concerned with receipts, custody and disbursement of the financial donation of donor or support organizations.

(f.) Benefits of the accounting systems outlined in (e.)

- Formulate the general objectives of the agency and co-ordinate the policies of individuals financial needs of the various units.
- Relate each spending units requirements to the economic resources estimated to be available and the total claims to them;
- Keep expenditure within total resources of the year.
- Advise management and each unit about financial control measures of the agency.

QUESTION 4

(a) The four factors are:

1. Objectives of the state (vision of government)
2. Fiscal policy (taxation etc.)
3. Monetary policy (inflation, money supply etc.)
4. The estimates(costing of activities)

Explanation of the four factors.

1. The objectives of the state, varies from period to period and depends on which government is in power. The broad national objectives are captured in the Directive Principles of state policy in the nation's constitution a decade ago; the objective was vision 2020, a brand policy to move Ghana to the middle income status. This objective was to move the timeframe to 2015 with the launch of Growth and Poverty Reduction Strategy. At present there is a new policy direction with four thematic areas:
 - Investment n human capital.
 - Expansion of infrastructure.
 - Job creation.
 - Transparent and accountable governance.
2. Government fiscal policy is the term used for the government's policy of taxation, payments and financing deficit gaps. The government raises through taxation to carry out its programme. It is the amount through taxation is insufficient, for the budgeted programmes then other means of raising funds are used to meet the deficit. This is normally achieved by borrowing on the local market by means of treasury bills or borrowing externally from multi-donor institutions like IMF and World Bank or look for grants or donations.
3. The supply of money in the economy determines economic activity and the prevailing price level. Attention is therefore focused on bank of Ghana and it's attempt to regulate the money supply of the country. Economists believe that if the supply increases beyond the normal increase in economic activity (about 4 -5 %p.a.) inflationary spending ensues. Similarly, if the growth in the money supply is below the level of economic activity recessionary tendencies increases.
4. The annual estimates are prepared in quantitative terms using the government chart of accounts and MTEF principles of planning and programming.
From the annual estimates government is able to know.
 - Projected revenue and expenditure for the year.
 - The allocation of funds for various functions and programmes including administration, service and investments.
 - Whether it will have surplus or deficit in its current accounts and to plan whether to borrow or invest funds.

- And to decide on the appropriate level and structure of public debts.

(b) i. Notification of approved estimate

After Parliamentary approval, approval estimate shall be communicated to the Controller and Accountant by the issue of a General Warrant with copies to the Auditor-General and MDA's. The Controller and Accountant General communicate the approval to the MDA's by the issue of Departmental Warrants to respective MDA's based on the MOFEP general warrant.

ii. Evasion of Expenditure Control

A head of Department shall not vary the normal course of payment to avoid causing an excess on any items of expenditure or to avoid lapse of funds and in particular shall not:

- Make payments in advance for goods or services to be delivered in the subsequent year.
- Place funds in deposits with service providers or any other category to avoid the consequences of lapse of funds.

iii. Progressive tax

Tax policy is said to be progressive when the high income earners are made to pay more than the low income earners. As such progressive tax is said to be fair and equitable.

(c.) Functions of the Trust include:

- To operate the basic National Social security Pension Scheme and other schemes as may be prescribed by law.
- To create a fund into which shall be paid the contribution and any other money's as may be required under the Act.
- To be responsible for the general administrative of the social security scheme and regulations made under it.
- To ensure the provision of social protection for the working population for various contingencies including old age, invalidity and death.
- To be responsible for the administration and investment of funds within the framework of general directives issued by the Board of Trustees and approved by the authority.
- Perform any other functions that are ancillary to the object of the trust.

QUESTION 5

Ledger Entries

GOG Fund Account

	GHS		GHS
Bal c/d	<u>3,500,000</u>	Cash	<u>3,500,000</u>
		Bal b/d	3,500,000

Internally Generated Fund (IGF)

	GHS		GHS
I & EXP	1,200,000	Cash	950,000
		Outstanding IGF	<u>250,000</u>
	<u>1,200,000</u>	Bal b/d	<u>1,200,000</u>
			1,200,000

Donation (NGO) Account

	GHS		GHS
Bal. b/d	<u>3,500,000</u>	Cash	<u>3,300,000</u>
		Bal b/d	3,300,000

Outstanding (IGF)

	GHS		GHS
I.G.F	<u>250,000</u>	Bal. c/d	<u>250,000</u>
	<u>250,000</u>		<u>250,000</u>
Bal. b/d	250,000		

Cash Book

	GHS		GHS
Bal. b/d	2,000,000	Personal emolument	
		2,450,000	
GOG Funds	3,500,000	Administration	
		2,500,000	
I.G.F.	950,000	Service Activities	
		1,500,000	
N.G.O.(Donation)	3,300,000	Investment	
		1,000,000	
		Bal. c/d	
	<u>9,750,000</u>	<u>2,300,000</u>	
		<u>9,750,000</u>	
Bal. b/d	700,000		

SOLUTION PUBLIC SECTOR ACCOUNTING MAY 2011

Personal Emolument

	GHS		GHS
Cash	2,450,000	Bal.b/d	800,000
		Bal. c/d	<u>1,650,000</u>
	<u>2,450,000</u>		<u>2,450,000</u>
Bal .b/d	1,650,000		

Administration

	GHS		GHS
Cash	<u>2,500,000</u>	Bal.b/d	<u>2,500,000</u>
	<u>2,500,000</u>		<u>2,500,000</u>
Bal.b/d	2,500,000		

Service Activities

	GHS		GHS
Cash	<u>1,500,000</u>	Bal.b/d	<u>1,500,000</u>
Bal .b/d	1,500,000		

Investment

	GHS		GHS
Cash	<u>1,000,000</u>	Bal.c/d	<u>1,000,000</u>
Bal. b/d	1,000,000		

Reserved Funds

	GHS		GHS
Bal.c/d	600,000	Bal. b/d	400,000
		Unreserved Fund	<u>200,000</u>
	<u>600,000</u>		<u>600,000</u>
		Bal. b/d	600,000

Unreserved Funds

	GHS		GHS
Reserved fund	200,000	Bal.b/d	1,200,000
Bal.c/d	<u>2,350,000</u>	Income & exp.	<u>1,350,000</u>
	<u>2,550,000</u>		<u>2,550,000</u>
		Bal. b/d	2,350,000

SOLUTION PUBLIC SECTOR ACCOUNTING MAY 2011

Inventory

	GHS		GHS
Bal. b/d	<u>400,000</u>	Bal. c/d	<u>400,000</u>
Bal. b/d	400,000		

(b)

Department of Forestry
Trial Balance for the year ended 30th June, 2009

	DR GHS	CR GHS
GOG Fund		3,500,000
I.G.F.		950,000
Donation (NGO)		3,300,000
Cash	2,300,000	
P.E.	1,650,000	
Administration	2,500,000	
Service activities	1,500,000	
Investment	1,000,000	
Reserved Fund		600,000
Unreserved		1,000,000
Inventory	<u>400,000</u>	
	<u>9,350,000</u>	<u>9,350,000</u>

(c) Department of Forestry

Income and Expenditure for the Year Ended 30th June, 2009

	<u>Budget</u> GHS	<u>Actual</u> GHS	<u>Variance</u> GHS
<u>Income</u>			
GOG Funds	4,000,000	3,500,000	(500,000)
I.G.F.	2,000,000	1,200,000	(800,000)
Donations (NGO)	<u>2,500,000</u>	<u>3,300,000</u>	<u>800,000</u>
	<u>8,500,000</u>	<u>8,000,000</u>	<u>(500,000)</u>
 <u>Expenditure</u>			
P.E.	1,800,000	1,650,000	150,000
Administration	2,700,000	2,500,000	200,000
Service Activities	2,200,000	1,500,000	700,000
Investments	<u>1,200,000</u>	<u>1,000,000</u>	<u>200,000</u>
	<u>7,900,000</u>	<u>6,650,000</u>	<u>1,250,000</u>

SOLUTION PUBLIC SECTOR ACCOUNTING MAY 2011

Excess income over expenditure	600,000	1,350,000	750,000
Add reserves b/f		<u>1,600,00</u>	
		<u>2,950,000</u>	

(a.) Department of Forestry
Balance sheet as at 30th June, 2009

	GHS
<u>Assets</u>	
Cash	2,300,000
Inventory	400,000
Outstanding IGF (receivable)	<u>250,000</u>
	<u>2,950,000</u>
<u>Liabilities and Funds</u>	
Funds reserved	600,000
Unreserved funds	<u>2,350,000</u>
	<u>2,950,000</u>