MAY 2021 PROFESSIONAL EXAMINATION
PUBLIC SECTOR ACCOUNTING AND FINANCE (PAPER 2.5)
CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME

GENERAL COMMENTS

The overall standard of the paper was very good and had over 95% coverage of the syllabus. The performance of candidates in the paper was below expectation given the quality of the questions. Nevertheless, the performance was better than the November 2020 examination outcome. The pass rate is approximately 23%.

STANDARD OF THE PAPER

The paper contained five (5) questions with nine (9) sub-questions and twelve (12) sub-sub questions. The standard of the paper is comparable to the ones previously administered. The marks allocated are consisted with the weights assigned in the syllabus. The marks were fairly allocated to each question, sub-questions and sub-sub questions. The questions were clear, unambiguous, and free of material errors. The questions were largely comprehension and application, consistent with the learning outcomes set out in the examination syllabus. The examiners should be encouraging to keep and improve the standard of the questions in subsequent examinations.

PERFORMANCE OF CANDIDATES

The general performance of the candidates in the paper was below expectation. However, it was better than the previous examination's performance. The improved performance may be attributable to the "meet the examiners' forums" organised by the Institute, where candidates and examiners interacted virtually. The sharing of information and observations with candidates might have helped the candidates in performing better. The Institute is commended for the initiative and it is encouraged to continue and increase the frequency of the forum in subsequent examinations.

NOTABLE STRENGTHS & WEAKNESSES OF CANDIDATES

In the current examination, the strength of candidates was found in the preparation of financial statement (Question 2), Financial statement analysis (Question 3b) and the Objective and basis of measurement (Question 3b). Preparation of financial statements for the Consolidated Funds continued to be the most popular question among the candidates. However, few candidates have struggled with the structure of the financial statements. Such candidates are encouraged to patronise the Institute's Manual and Question bank on Public Sector Accounting and Finance for direction. In relation to analysis of financial statement, most candidates were able to compute the required ratios very well and write a good report on the financial performance of the two countries indicated in the question. The objective and basis of measurement were also well answered by the majority of candidates.

Inability to read and understand the requirements of the examination question remains the biggest weakness of most candidates. Consequently, some of them poorly deviated from the requirements of the question and hence performing very poorly. For example, question 3(ai) required the candidates to explain the objective of the

PEFA framework. Unfortunately, some candidates equated the requirement to the outcomes of an orderly and open public financial management system. However, the deviations recorded in the current examination are far lower than what happened in the previous examination. Candidates are therefore encouraged to take their time to read and appreciate the requirements of the questions before attempting to provide answers. Secondly, lack of preparation for the examination also exposes the shallow appreciation of concepts and principles. For example, some candidates failed to explain the concept of vote accounting and commitment accounting well, meanwhile these are very basic concepts in pubic financial management. This is attributable to lack of preparation on the part of the candidates. Therefore, candidates are advised to allocate enough time to their studies to avoid shabby preparation.

QUESTION ONE

a) Public Sector Accounting has approaches and techniques applied in processing financial statements. They are Vote Accounting, Commitment Accounting and Fund Accounting.

Required:
Explain these techniques as used in Public Sector Accounting. **(10 marks)**

b) Implementation of the International Public Sector Accounting Standards (IPSAS) is a priority of Government in 2021, and the Controller and Accountant General is doing everything possible to ensure effective implementation. One major concern of the implementors is a measurement of public assets, as these assets are numerous, varied and acquired in different ways. Nevertheless, assets need to be measured and recognised in accordance with IPSAS.

Required:

i) Explain the objectives of Measurement in Financial Reporting under IPSAS. **(4 marks)**

ii) Explain **FOUR (4)** Measurement Bases for assets in line with the Conceptual Framework of General Purpose Financial Report. **(6 marks)**

(Total: 20 marks)

QUESTION TWO

Below is the Trial Balance of the Consolidated Fund of Ghana for the year ended 31 December, 2020.

	DR	CR
	GH¢ million	**GH¢ million**
Cash and Bank	61,350	
Established Post Salaries	13,524	
Non-Established Post Salaries	4,016	
Communications Service Tax		5,144
PAYE		6,940
Non-Tax Revenues		2,312
Travel and Transport	468	
Administration Cost	6,704	
Conferences and Seminars	2,510	
Foreign Travel Cost	1,490	
Stationery Inventories	20	
Stationery Purchased	220	
Vehicles Income Tax		2,316
Corporate Tax		4,626
Grants	1,150	2,516
Customs and Excise Duties		1,286
Subsidies for Consumption	1,282	
Subsidies for Production	722	

Value Added Tax		7,716
Social Benefits	760	
State Protocol	100	
Allowance	300	
Domestic Debt Interest	2,906	
External Debt Interest	3,482	
Motor Vehicle	4,800	1,920
Equipment	8,400	1,680
Computers	18,400	5,240
Railway (Completed)	5,000	
Work in Progress	400	
Equity and Security Investment	1,960	
Loans and Advances	1,120	
Gold and Other Reserves	1,620	
Judgement Debt	280	
Treasury Bills		22,240
Domestic Debt		26,924
Payables		34,844
External Debt		45,726
Trust Fund and Deposits		4,470
Other Expenditure	1,800	
Rent Receivable	1,600	
Accumulated Fund	29,516	
	175,900	**175,900**

Additional information:

i) It is the policy of Controller and Accountant General to use Accrual Basis of Accounting in preparing the Public Accounts of the Consolidated Fund financial statements in compliance with Public Financial Management Act, 2016 (Act 921), Public Financial Management Regulation 2019 L.I 2378 and the International Public Sector Accounting Standards (IPSAS).

ii) Inventory in respect of stationery outstanding as at 31 December, 2020 cost GH¢18 million and has a current Replacement Cost of GH¢12 million. Meanwhile, the Net Realisable value of the Inventories is estimated at GH¢14 million. No market exists for unused inventories.

iii) An Established Post Salary in arrears as a result of salary increment in the fourth quarter of 2020 was GH¢56 million and Public Debt Interest outstanding as at 31 December, 2020 amounts to GH¢ 14 million.

iv) Consumption of Fixed Capital is charged on Straight Line Basis for the year as follows:

Asset	**Useful life**
Motor vehicle	5 years
Equipment	10 years
Computers	5 years
Railway	20 years

v) The Multilateral Partners have extended their Debt Forgiveness policy to the Government which has resulted in the External Debt write off amounting to GH¢4 billion in the year. However, this transaction has not been accounted for in the books.

vi) In the year 2019, GH¢8 billion was spent in acquiring Equipment to boast Government project, however, these transactions were recognised in the accounts as Goods and Services Expenditure in the year 2019. This error has since not been rectified.

Required:
Prepare in a form suitable for publication and in accordance with the relevant Financial Laws and IPSAS:

a) Statement of Financial Performance for the year ended 31 December 2020. **(9 marks)**
b) Statement of Financial Position as at 31 December, 2020. **(7 marks)**

c) State and Explain **FOUR (4)** Conditions under which Revenue from The Sale of Goods shall be recognised in accordance with ***IPSAS 9: Revenue from Exchange Transactions.*** **(4 marks)**

(Total: 20 marks)

QUESTION THREE

a) The Public Expenditure and Financial Accountability (PEFA) Framework has gained worldwide recognition due to its contribution to public financial management discussions. It is one framework that has received acceptance across the globe.

Required:

i) Explain the objective of the PEFA framework **(2 marks)**
ii) Discuss **FOUR (4)** uses or applications of the PEFA Reports. **(4 marks)**
iii) Explain **FOUR (4)** sources of information for the PEFA assessment. **(4 marks)**

b) Country X and Country Y are Sub-Saharan African Countries that attained independence around the same period. Presented below are the financial statements of the two countries.

Statement of Financial Performance for the year ended 31 December 2020

	Country X GH¢ million	**Country Y GH¢ million**
Revenues		
Domestic tax	39,675	25,500
International trade tax	27,300	31,995
Non-tax revenue	11,250	19,200
Grants	1,950	1,650
Total revenue	**80,175**	**78,345**
Expenditure		
Compensation for employees	44,700	30,450
Use of goods and services	15,450	21,000
Consumption of fixed capital	360	420
Exchange difference	1,485	900
Interest	29,490	15,690
Subsidies	765	180
Other expenses	2,400	2,145
Total Expenditure	**94,650**	**70,785**
Net Operation Result	**(14,475)**	**7,560**

Other information:

Population	30,000,000	22,500,000
Gross Domestic Product (GH¢)	217,500,000,000	165,000,000,000

Statement of Financial Position as at 31 December 2020

	Country X GH¢ million	**Country Y GH¢ million**
Non-Current Assets		
Property, plant and equipment	3,675	33,600
Equity investment	12,000	8,250
	15,675	41,850
Current Assets		
Receivables	10,050	12,600
Cash and cash equivalent	7,050	27,000
	17,100	39,600
Total Assets	**32,775**	**81,450**
Funds and Liabilities		
Accumulated Fund	(120,300)	7,200
Current Liabilities		
Payables	9,300	6,150
Trust monies	2,100	1,350
Domestic debt	24,000	6,750
	35,400	14,250
Non-current Liabilities		
Domestic debt	54,000	27,000
External debt	63,675	33,000
	117,675	60,000
Total Fund and Liabilities	**32,775**	**81,450**

Required:

i) From the information provided, compute for the two countries respectively:

- Grant to Total Revenue ratio
- Wage Bill to Tax Revenue ratio
- Interest to Revenue ratio
- Debt to GDP ratio
- Capital expenditure per Capita
- Wages bill to Total Expenditure ratio **(6 marks)**

ii) Based on the result in question i), write a report discussing and analysing the financial performance and financial position of the two countries. Include in your report the limitations of the analysis of the two countries. **(4 marks)**

(Total: 20 marks)

QUESTION FOUR

a) A Procurement Board is established under the Provision of the Public Procurement (Amendment) Act, 2016 (Act 914) with the Prime objective of harmonising the process of Public Procurement in Public Services.

Required:
Outline the Composition of the Public Procurement Board. (**4 marks)**

b) The Entity Committee of the Social Department intend to acquire the following items:
i) 100 Pickups for offices at the department at the cost of GH¢120,000 each.
ii) Hire a Consultant to train Staff at all its units across the country for a period of 5weeks at a cost of GH¢6,500,000.
iii) Undertake the construction of offices at a Value of GH¢13,700,000.
iv) Procure 20 Laptops at the cost of GH¢2,400 each.

Required:
Explain the appropriate Procurement methods that should be used to award these contracts (i - iv). **(6 marks)**

c) Fiscal constraints experienced by countries have resulted in developing new and innovative approaches to the provision and financing of public infrastructure and services. Public-Private Partnership (PPP) framework reflects the Government's desire to improve the quality, cost-effectiveness and timely provision of public infrastructure and services in Ghana.

Required:
i) Distinguish between Public Partnership and Public-Private Partnership. **(2.5 marks)**
ii) Explain **FIVE (5)** reasons why you would discourage the Government from embarking on Public-Private Partnership. **(7.5 marks)**

(Total: 20 marks)

QUESTION FIVE

a) Since the creation of Atuum District Assembly (ADA) in 2011, inadequate revenue mobilisation has been its major challenge making the Assembly unpopular. The newly appointed District Chief Executive (DCE) is concerned about the effectiveness of the revenue budget system of the Assembly.

Below is the extract of the Revenue Budget of the Assembly for the 2021 financial year.

Revenue	**Annual Budget GH¢**	**Actual to March GH¢**
Licenses	880,000	244,000
Fees and Miscellaneous charges	3,400,000	890,000
Investment income	600,400	178,000
Property rate	5,400,000	1,310,000
Basic Rate	750,000	120,000
Grants and donations	1,000,000	320,000

The budget allocation over the various items over the quarters is in the ratio of 3:3:2:2. The DCE indicates that the budget reliability measures of Public Expenditure and Financial Accountability (PEFA) are ideal for assessing the budget performance of the Assembly. In the framework, the following interpretation is given to budget outruns:

- Outturn/variance not greater than 5% is scored as A, indicating very good budget reliability
- Outturn higher than 5% but not exceeding 10% is scored B, indicating good budget reliability.
- Outturn higher than 10% but not exceeding 15% is scored C, indicating average budget reliability.
- Outturn higher than 15% is scored as D, indicating poor budget reliability.

Note that each revenue item is treated as an indicator under the PEFA framework.

Required:

i) As the Budget Officer, prepare the statement of budget performance for the first quarter of the 2021 financial year, indicating clearly the outturn percentage and the respective scores. **(5 marks)**

ii) Write a report to the DCE on the budget performance of the Assembly and suggest ways of improving the budget reliability of the Assembly. **(6 marks)**

iii) Discuss **FOUR (4)** benefits of effective revenue budgeting in the Assembly. **(4 marks)**

b) In a recent audit committee meeting, there arose a serious disagreement between the Director of Finance and the Chief Internal Auditor concerning the internal audit role in the public sector. The Internal Auditor insists that internal audit's primary responsibility in the public sector is to carry out intensive pre-audit or to vouch. He concludes that internal audit without pre-audit is useless and unfit for purpose. The Director of Finance opposed this view vehemently, arguing that pre-audit is an old fashion practice in the public sector and in the 21st century this should not be encouraged in a forward-looking organisation like theirs.

Required:
As a member of the Audit Committee, educate the two key officers of the organisation on the functions of the internal audit under the Public Financial Management Act, 2016 (Act 921). **(5 marks)**

(Total: 20 marks)

SOLUTION TO QUESTIONS

QUESTION ONE

a) **Vote Accounting**

This is a form of accounting system for the Public Sector in which the financial records are based on budgetary estimates approved by Parliament. The vote or appropriation accounting system presents a report based on appropriation where funds are voted or appropriated by the legislature for various organisations. Under this system, records are kept for receipts and payments in accordance with the vote or appropriations approved by Parliament. Where a reporting entity spends less than has been voted for in the budget year, the balance is surrendered (i.e. paid back to chest). It is generally unlawful for the reporting entity to spend in excess of the amount appropriated unless there is an approved supplementary appropriation. But if the entity spends more than has been voted for in the budget, the estimate for the next period is generally reduced by the amount. However, if an expense item with a given line estimate is underspent; surplus can be transferred to supplement an overspent item within the same line estimate. The process of transferring funds within a line item is termed virement.

Some features of vote accounting include the following;

- Receipts and payments are kept based on the amount appropriated by the legislature. All payments are often expensed in the same period. No systematic accounting principles are maintained for assets.
- As a result of the above, depreciation is not generally applicable in vote accounting system.
- Accounts are kept in receipts and payments format.

An appropriation bill covers the combined estimate of the spending organisations. This bill is passed into Appropriation Act after all the estimate has been examined and debated upon by the legislature.

The functions of an appropriation act are to;

- Authorised the estimate of the organisations;
- Give approval to the ambit of the vote;
- Become a reference point for resolving any misunderstandings and disagreements.
- Denote by implication ultra-vires acts of any organisation.

The Parliament examination and debate of the estimates take some time before the final approval and subsequent passing of the Appropriation Acts to enable organisations to finance through government funds to get finances for their activities for any budget year. To ensure that the business of Government does not grind to a halt, appropriation in advance is often approved by the legislature pending the passing of the Appropriation Act, where it is clear that the Appropriation Act cannot be passed before the beginning of the following year.

(3.5 marks)

Commitment accounting

This is the accounting technique that attempts to recognise and report expenses once an expenditure decision is made. In other words, as soon as a decision is made for the acquisition of a service or an item, cash is set aside to meet such cost and such committed expense is included in the reports. As soon as a commitment is made or an obligation is established or entered into, relevant entries are made in the books of accounts.

Financial transactions are therefore recorded as soon as commitments are made. As a result, a transaction is not recognised upon the movement of cash but rather once the policy decision is made for the acquisition of the service.

A practical situation is when orders are made for some acquisitions. Once the purchase order is made, entries are expected to be made to reserve funds for the items. Though no legal obligation has arisen at this stage, hence no liability, an encumbrance entry is made, reserving the necessary amount of money to settle the order when delivery is made. When the order is met, the encumbrance entries are reserved and actual double entries made for the receipt of the goods or services, with payment made immediately or later subject to raising the necessary documentation.

A significant feature, which is an advantage, is that it enables budgetary control and efficient treasury management. With this approach, uncommitted budget funds are clearly highlighted, enabling budget managers or vote controllers to plan other commitments and disbursements effectively.

A major problem is that it can often encourage end-of-year rash spending as uncommitted resources are often expected to lapse. Rush orders for inappropriate services can be made for the purpose of committing unused cash balances just to make sure that funds are used.

(3.5 marks)

Fund accounting

Fund accounting is the approach or technique of accounting that reports in terms of funds rather than organisation. In this sense, a fund is a reporting entity and the financial reports generated are in respects of the fund. A fund is defined as a self-balancing unit in respect of which separate reports are generated. Separate books are kept for each fund, separate bank accounts are maintained, and separate financial statements are generated. Generally, funds are not comingled. The 1992 constitution of Ghana create the consolidated fund, the contingency fund and authorises Parliament to have the liberty to create other funds through acts of Parliament or legislative instruments. Parliament has created a number of fund: the Ghana Education Trust fund (GET Fund), The District Assemblies Common Fund (DAC Fund), Road Fund, Petroleum Holding Fund, Heritage Fund, Stabilization Fund, Ghana Infrastructure Investment Fund (GIIF), Sinking Fund, The National Health Insurance Scheme Levy etc. Learners are expected to peruse the respective legislations setting up these funds paying attention the following key issues:

- The object of the fund
- The sources of financing for the fund
- The structure for managing and administering the fund, and
- Legitimate charges on the fund

(3 marks)

b)

i) Measurement objective

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. **(1 mark)**

The selection of a measurement basis for assets and liabilities contributes to meeting the objectives of financial reporting in the public sector by providing information that enables users to assess:

- The cost of services provided in the period in historical or current terms;
- Operational capacity—the capacity of the entity to support the provision of services in future periods through physical and other resources; and
- Financial capacity—the capacity of the entity to fund its activities.

(3 points for 3 marks)

ii) Bases of Measurement of Assets

- **Historical cost**

  Historical cost for an asset 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.

  Under the historical cost model, assets are initially reported at the cost incurred on their acquisition. Subsequent to initial recognition, this cost may be allocated as an expense to reporting periods in the form of depreciation or amortisation for certain assets, as the service potential or ability to generate economic benefits provided by such assets are consumed over their useful lives. In addition, under the historical cost mode,l the amount of an asset may be reduced by recognising impairments.

- **Market value**

  Market value for assets is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

  At acquisition, market value and historical cost will be the same if transaction costs are ignored and the transaction is an exchange transaction. The extent to which market value meets the objectives of financial reporting and users' information needs partially depends on the quality of the market evidence.

- **Replacement cost**
  Replacement cost is the most economical cost required for the entity to replace the service potential of an asset (including the amount that the entity will receive from its disposal at the end of its useful life) at the reporting date.

  Replacement cost reflects the replacement of service potential in the normal course of operations, not the costs that might be incurred if an urgent necessity arose due to some unforeseeable event, such as a fire.

- **Net selling price**
  Net selling price is the amount that the entity can obtain from the sale of the asset after deducting the costs of sale.

  Net selling price differs from market value in that it does not require an open, active and orderly market or the estimation of a price in such a market and includes the entity's costs of sale. Net selling price, therefore, reflects constraints on sale. It is entity-specific.

- **Value in Use**
  Value in use is the present value to the entity of the asset's remaining service potential or ability to generate economic benefits if it continues to be used and the net amount that the entity will receive from its disposal at the end of its useful life.

  Value in use is an entity-specific value that reflects the amount derived from an asset through its operation and its disposal at the end of its useful life. Value in use is also not an appropriate measurement basis when the net selling price is more significant than value in use. In this case the most resource-efficient use of the asset is to sell it, rather than continue to use it.

(Any four points @ 1 ½ marks each = 6 marks)

(Total: 20 marks)

CHIEF EXAMINER'S COMMENT

The question is made up of two (2) sub-questions. The performance in this question was fairly good. Question 1(a) required candidates to explained basic concepts of vote accounting, commitment accounting and fund accounting for 10 marks. About 40% of the candidates did very well in this question. Some performed averagely, and others performed very poorly, which was however surprising. Question 1 (b) was on objectives of measurement and the basis of measurement, and they were well attempted by most candidates. However, some candidates seem not to have any idea of the question even though the question is a repeated question. This points to lack of adequate preparation.

QUESTION TWO

a)

CONSOLIDATED FUND OF GHANA
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31/12/2020

	NOTE	GH¢ million	GH¢ million
REVENUE			
Direct Tax	2	13,882.00	
Indirect Tax	3	14,146.00	
Non-Tax Revenue		2,312.00	
Grants	4	6,516.00	
Total			36,856.00
EXPENDITURE			
Compensation	5	17,896.00	
Use of Goods and Service	6	11,780.00	
Public Debt Interest	7	6,402.00	
Subsidies	8	2,004.00	
Social Benefit		760.00	
Statutory Transfer		1,150.00	
Consumption of Fixed Asset	9	6,530.00	
Other Expense	17	1,800.00	(48,322.00)
Deficit			**(11,466.00)**

Statement of Accumulated Fund for the year ended 31/12/2020

	GH¢ million
Balance b/f	(29,516)
Add. Prior Year Adjustment (**N15**)	7,200
Balance Restated	(22,316)
Add deficit	(11,466.00)
Balance c/f	**(33,782.00)**

(9 marks evenly spread using ticks)

b)

CONSOLIDATED FUND
STATEMENT OF FINANCIAL POSITION AS AT 31/12/2020

ASSETS			
Non-Current Asset	NOTE	**GH¢ million**	**GH¢ million**
Property, Plant and Equipment	16	23,680.00	
Work in Progress		400.00	
Infrastructure (Railway)	16	4,750.00	
Financial Asset	11	4,700.00	33,530.00
Current Asset			
Cash and Cash Equivalent		61,350.00	
Inventory		12.00	
Receivables		1,600.00	62,962.00
Total Assets			**96,492.00**
LIABILITIES AND FUND			
Current liabilities			
Payables	12	57,154.00	
Deposits and Trust Monies		4,470.00	61,624.00
Non-Current Liabilities			
Domestic Debt		26,924.00	
External Debt	13	41,726.00	68,650.00
Accumulated Fund			(33,782.00)
			96,492.00

(7 marks evenly spread using ticks)

NOTES (Million=M)

2. Direct Tax	**GH¢' M**
Vehicle Income Tax	2,316.00
Corporate tax	4,626.00
PAYE	6,940.00
	13,882.00

3. Indirect Tax	**GH¢'M**
Communication Service Tax	5,144.00
Customs and exercise duties	1,286.00
Value added tax	7,716.00
	14,146.00

8. Subsidies	**GH¢ 'M**
For consumption	1,282.00
For production	722.00
	2,004.00

10. Other Expense	**GH¢ 'M**
Per Trial Balance	1,800.00
Bad debt provision	4.90
	1,804.90

11. Financial Asset	**GH¢ 'M**
Equity Investment	1,960.00
Loans and advance	1,120.00

4. Grant	**GH¢ 'M**
Per Trial Balance	2,516.00
Debt forgiven	4,000.00
	6,516.00

Gold and other reserves	1,620.00
	4,700.00

5. Compensation	**GH¢ 'M**
Established Position	13,524.00
Non est. Post	4,016.00
Allowance	300.00
Est. Post out	56.00
	17,896.00

6.Goods and Services	**GH¢ 'M**
Stat. available for use(**N15**)	228.00
T and T	468.00
Administration cost	6,704.00
Conference and seminars	2,510.00
Foreign travel cost	1,490.00
State protocol	100.00
Judgement debt	280.00
	11,780.00

7. Debt Interest	**GH¢ 'M**
Domestic debt interest	2,906.00
External debt interest	3,482.0 0
Interest outstanding	14.00
	6,402.00

12. Payable	**GH¢ 'M**
Est. Post Outstanding	56.00
Interest outstanding	14.00
Per Trial Balance	34,844.00
Treasury bills	22,240.00
	57,154.00

13. External Debt	**GH¢ 'M**
Per Trial Balance	45,726.00
Debt forgiven	(4,000.00)
	41,726.00

14.Stationary Inventories	**GH¢ 'M**
Stationary inventories	20.00
Stationary purchased	220.00
Less closing stock	(12.00)
Stat. available for use	228.00

15.Prior Year Adjustment	**GH¢ 'M**
Machine Cost	8,000.00
Accu. Depn (8,000/10)	(800.00)
	7,200.00

16. Fixed Asset Schedule					
	Motor Vehicle	**Equipment**	**Computers**	**Railway\ Infrastructure**	**Total**
Cost	48,000.00	8,400.00	18,400.00	5,000.00	79,810.00
Addition	---------	8,000.00	---------	---------	8,000.00
	48,000.00	16,400.00	18,400.00	5,000.00	87,810.00
Acc Depn	(1,920.00)	(2,480.00)	(5,240.00)	---------	(9,640.00)

Charge for the year	(960.00)	(1,640.00)	(3,680.00)	(250.00)	(6,530.00)
	(2,880.00)	(4,120.00)	(8,920.00)	(250.00)	(16,170.00)
NBV	**1,920.00**	**12,280.00**	**9,480.00**	**4,750.00**	**71,640.00**

*PPE=M/V+EQUIPMENT+COMPUTERS=¢23,680

Accumulated Depreciation for Equipment	**GH¢ 'M**
As per question	1,680.00
Prior Year Adjustment	800.00
	2,480.00

(Maximum 70 ticks@ 0.23 = 16 Marks)

c) Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- The economic benefits or service potential associated with the transaction will probably flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

(Any four points @ 1 mark each = 4 marks)

(Total: 20 marks)

CHIEF EXAMINER'S COMMENT

The question was on preparing and presenting financial statements for the Consolidated Fund with six additional information and IPSAS 9: Revenue from exchange transactions. The question was well crafted, and the responses were very encouraging. However, most candidates could not deal with prior year adjustment issues raised in the additional information (iv). Unfortunately, some candidates could not present the financial statement in line with the Chart of Accounts of Ghana and IPSAS 1. The standard of the question was excellent; however, the examiner could have enhanced it by adding budget information to the question in line with IPSAS 24.

The second part of the question examines candidates' knowledge of IPSAS 9: Revenue from exchange transactions. The question required candidates to explain the conditions under which revenue from the sale of goods is recognised under the IPSAS 9. Surprisingly, most candidates could not answer the question satisfactorily, probably due to lack of knowledge of the IPSAS. Nevertheless, candidates should give considerable attention to the IPSAS in preparation for subsequent examinations as the IPSAS is indispensable in today's public sector financial reporting.

QUESTION THREE

a)

i) The objective of PEFA framework

The objective of PEFA to provide an assessment of the implications for overall system performance and desirable public financial management outcomes. PEFA is designed to provide a snapshot of PFM performance at specific points in time using a methodology that can be replicated in successive assessments, giving a summary of changes over time. **(2 marks)**

ii) Uses and application of **PEFA** report

The PEFA Report has many uses and applications by the government and other interest groups. The uses and application of PEFA reports include:

- Governments use PEFA to obtain a snapshot of their PFM performance.
- PEFA offers an everyday basis for examining PFM performance across national and subnational governments.
- PEFA scores and reports allow both governments and others users (such as civil society organisations and international development institutions) of the information to gain a quick overview of the strengths and weaknesses of a country's PFM system.
- PEFA assist users in appreciating the implications of the overall performance results for the key goals of fiscal discipline, strategic resource allocation, and efficient service delivery.
- The PEFA analysis contributes to dialogue on the need and priorities for PFM reform.
- PEFA program provides support, monitoring, and analysis of PEFA assessments.

(Any four points @ 1 mark each = 4 marks)

iii) Sources of Information for PEFA assessment

The sources of information include, among others:

- legislation,
- the PEFA uses various laws, especially those related to public financial management, such as the Public Financial Management Act 2016, Public Financial Management Regulation 2019, the Public Procurement Act 2003 as amended etc.
- Government policy papers,
- This includes government fiscal policy documents and medium-term development plans. This document provides insight into the policy direction of the Government.
- budget documents,
- The budget document serves as a critical document in assessing the plans and projections of the government and the extent of reliability, predictability and policy orientation.

- Reports and statistics,
- National statistical data is useful in determining the aggregate fiscal disciple
- recent surveys and analytical work at the national, regional or
- international level, which independent institutions and donors may carry out.
- General Purpose Financial Statement of Government/Public Sector.

(Any four points @ 1 mark each = 4 points)

b)

i)

Summary of Ratios

Grants to total revenue ratio	2.432%	2.106%
Wage bill to Tax Revenue ratio	66.74%	52.96%
Interest to revenue ratio	36.782%	20.03%
Debt to GDP ratio	54.10%	36,363.63%
Capital Expenditure per capita	GH¢522.5 per person	GH¢1,860 per person
Wage Bill to Total Expenditure	47.23%	43.02%

(6 marks evenly spread using ticks)

ii) **Report on Financial Performance and Position of Country X and Country Y**

Introduction

In this report, two countries' financial performance and financial position has been examined using some ratios. The report aims to perform a comparative analysis of the two countries to direct economic debates of the think tank of civil society.

Discussions and Analysis

The financial performance of the two countries is examined. The revenue performance of the two countries is measured by the domestic tax per capita income ratio. Country Y has higher domestic tax per capita than A, showing that Country Y perhaps has a more effective tax administrative system than Country X. it also means that the citizens of Country Y may be responsible citizens than Country X. both countries receive less than 3% of their revenue from grants, indicating that both countries may be winning themselves from aid as much as possible

Country Y manages its expenditures better than Country X. Country Y uses only 397% of its tax revenues to pay wages and salaries, whilst Country X spends 56% of its revenues on paying wages and salaries. Wage bill 43% of total expenditure in Country Y and 47% in Country X, indicating that Country Y manages its wage bill better than Country X. in addition, on 20% of the revenue of Country Y is spent on interest expenses whilst A applies 37% . In short, Country Y manages its expenditure better than Country X.

In relation to financial position, the Debt to GDP of Country X is 65%. In contrast, Country Y is as high as 40455%, revealing that Country X manages its debt far better than Country Y. debt burden on the citizens of Country Y is lighter than Country X as shown by debt per capita ratio of GH¢404.6 for Country Y and GH¢4,722.50 for Country X. In Country X, over 50% of debt are used to acquire assets whilst less than 3% of debts is reflected in the capital assets of Country X.

Limitations

The analysis above should be appreciated in the face of these limitations.

- The basis of accounting used by the two countries may differ as this information is not given in the financial reports.
- The stage of development of the two countries may also be different, which may affect their financial performance and conditions.
- The type of governance system runs by the two countries may not be the same. The governance variables may affect the financial conduct of the countries.

Conclusion

The analysis reveals that Country Y is outperforming Country X in all counts. Therefore, country X must examine its expenditure management policies and debt management policies as most of the problem comes from these ends.

Introduction = ½ marks
Body= ½ x4 point = 2 marks
Limitation = ½ x2points =1 mark
Conclusion= ½ marks
Total (4 marks)

(Total: 20 marks)

CHIEF EXAMINER'S COMMENT

Question three has two sub-questions. The first part tested candidates on public expenditure and financial accountability (PEFA) framework for assessing public financial management (PFM) systems and discussing financial statements. It focused on the objective of the PEFA framework, uses of the PEFA report and sources of information for PEFA assessment. The objective of PEFA was poorly answered as most candidates confused the requirement to the outcomes of an orderly and open public financial management system. The other questions were well answered by candidates. Question 3(b) was on analysis and discussion of financial statements. This question was averagely answered. However, some candidates failed to cover the limitation of the analysis in their reports. Some candidates also do not know how to write a report as required by the question. In general, the question is standard.

QUESTION FOUR

a) **Composition of the Procurement Board.**
The Acts established a nine-member board with the prime objectives of harmonising the process of public procurement.

- A person competent and experienced in public procurement, as the chairperson
- Four persons from the public sector made up of a representative of the Attorney General and three other persons, nominated by the Minister, one of whom is a woman and each of whom shall have experience in public procurement and be familiar with governmental and multi-lateral agency procurement procedures.
- Three persons from the private sector who have experience in procurement, at least one of whom is a woman.
- The chief executive officer of the authority.

(Four points @ 1 mark each = 4 marks)

b)

i) Total value of goods=100 pickups x GH¢120,000= **GH¢12,000,000.** The Entity Committee of Social Department must use International Competitive Tendering in awarding the contract for the 100 pickups. This is because international competitive tendering is used in Public procurement where the contract value of the goods in question exceeds **GH¢10,000,000.** This is per the Fifth Schedule of the Public Procurement Amendment Act,2016, Act 914.

ii) The Entity Committee of Social Department must use International Competitive Tendering in awarding the contract since the contract value for the Consultant's service is **GH¢6,500,000,** above the maximum threshold for the National Competitive Tendering to be used. This is in accordance with the Fifth Schedule of the *Public Procurement Amendment Act,2016, Act 914, where* International Competitive Tendering is applied for Services, having a contract value above **GH¢5,000,000.**

iii) The Department should use national Competitive Tendering to award the Construction of the offices having a contract value of GH¢13,700,000. This is in line with the Fifth Schedule of the *Public Procurement Amendment Act,2016, Act 914, where* National Competitive Tendering is applied for Works, having a contract value for more than **GH¢200,000** but up to **GH¢15,000,000.**

iv) The contract value of the 20 laptops=20 laptops x GH¢ 2,400= GH¢48,000. The Department must use Requestion for Quotation in the award of the contract. With reference to the Fifth Schedule of the *Public Procurement Amendment Act,2016, Act 914,* Requestion for Quotation is used for Goods with a contract value up to **GH¢ 100,000**

(Each point @ 1.5 marks each = 6 marks)

c)

i) Public Partnership and Public-Private Partnership
Public-Private Partnership(PPP) is a contractual arrangement between a public entity and a private sector party, with explicit agreement on shared objectives to produce public infrastructure and services traditionally provided by the public

sector. Or, it is the partnership between the public sector and the private sector to deliver a project or a service, traditionally provided by the public sector, whilst Public Partnerships (PUPs) is a partnership between a government body or public authority and another such body or a non - profit organisation to provide services and or facilities, sometimes with a goal of transferring technical skills and expertise within international development projects.

(2.5 marks)

ii) FIVE (5) reasons why you would discourage the Government from embarking on Public-Private Partnership.

- Public-Private Partnerships (PPPs) have various limitations which should be taken into accounts while they are being considered. The major limitations include:
- Not all projects are feasible (for various reasons: political, legal, commercial viability, etc.)
- The private sector may not be interested in a project due to perceived high risks or lack of technical, financial or managerial capacity to implement the projects.
- A PPPs project may be more costly unless additional costs (due to higher transactions and financing costs) can be offset through efficiency gains.
- Change in operations and management control of an infrastructure asset through a PPP may not be sufficient to improve its economic performance unless other necessary conditions are met. These conditions may include appropriate sector and market reform and change in operational and management practices of infrastructure operations.
- Development, bidding and ongoing costs in PPP projects are likely to be greater for traditional government procurement processes - the Government should therefore determine whether the greater costs involved are justified. A number of the PPP and implementation units around the world have developed methods for analysing these costs and looking at Value for Money, e.g., UK Treasury.
- There is a cost attached to debt - While private sector can make it easier to get finance, finance will only be available where the operating cash flows of the project company are expected to provide a return on investment (i.e., the cost has to be borne either by the customers or the Government through subsidies, etc.)
- Some projects may be easier to finance than others (if there is proven technology involved or the extent of the private sectors obligations and liability is identifiable), some projects will generate revenue in local currency only (e.g. water projects) while others (e.g. ports and airports) will provide currency in dollar or other international currency and so constraints of local financial markets may have less impact
- Some projects may be more politically or socially challenging to introduce and implement than others - particularly if there is an existing public sector workforce that fears being transferred to the private sector, if significant tariff increases are required to make the project viable, if there are significant land or resettlement issues, etc.
- There is no unlimited risk-bearing - private firms (and their lenders) will be cautious about accepting significant risks beyond their control, such as exchange rate risks/risk of existing assets. If they bear these risks, then their price for the

service will reflect this. Private firms will also want to know that the rules of the game are to be respected by the government regarding undertakings to increase tariffs/fair regulation, etc. Private sector will also expect a significant level of control over operations if it is to accept significant risks

- Private sector will do what it is paid to do and not more than that - therefore incentives and performance requirements need to be clearly set out in the contract. Focus should be on performance requirements that are out-put based and relatively easy to monitor.
- Government responsibility continues - citizens will continue to hold government accountable for the quality of utility services. However, the government will also need to retain sufficient expertise, whether the implementing agency and/ or via a regulatory body, to understand the PPP arrangements, carry out its obligations under the PPP agreement, and monitor the performance of the private sector to enforce its obligations.
- The private sector is likely to have more expertise and have an advantage in the data relating to the project after a short time. Therefore, it is important to ensure clear and detailed reporting requirements imposed on the private operator to reduce this potential imbalance.
- A clear legal and regulatory framework is crucial to achieving a sustainable solution.
- Given the long-term nature of these projects and the complexity associated, it is difficult to identify all possible contingencies during project development. Events and issues may arise that were not anticipated in the documents or by the parties at the time of the contract. More likely than not, the parties will need to renegotiate the contract to accommodate these contingencies. It is also possible that some of the projects may fail or may be terminated before the projected term of the project, for a number of reasons, including changes in government policy, failure by the private operator or the government to perform their obligations or indeed due to external circumstances such as force majeure. While some of these issues will be able to be addressed in the PPP agreement, it is likely that some of them will need to be managed during the project.

(Any five points @ 1.5 marks each = 7.5 marks)

(Total: 20 marks)

CHIEF EXAMINER'S COMMENT

The question was of three sub-questions examining public procurement and public-private partnership. The first sub-question required candidates to outline the composition of the Public Procurement Board. The question is a recall question, so candidates who did not memorise the board's composition could not perform well in this question. In my opinion, such a recall question is not appropriate for this level of examination since the candidates have no reasonable expectation of constituting the Board in the line of duty. The second sub-question examined the procurement method in a mini case scenario. The question is well crafted, but most candidates seem to lack knowledge about the thresholds in the schedule to the Public Procurement Act 2016; hence were not able to get the methods right. The last sub-question was on public-private partnership and public-public partnership. The question was very popular with the candidates, and therefore they performed very well.

QUESTION FIVE

a)

i) Budget Performance Report of Atuum District Assembly (ADA)

Revenue (Indicators)	Annual Budget	Budget to March	Actual to March	outturn GH¢	Outturn (%)	Score
Licenses	880,000	264000	244000	20000	7.58	B
Fees and Misc. charges	3,400,000	1020000	890,000	130000	12.75	C
Investment income	600,400	180120	178000	2120	1.18	A
Property rat.	5,400,000	1620000	1,310,000	310000	19.14	D
Basic Rate	750,000	225000	120,000	105000	46.67	D
Grants and donations	1,000,000	300000	320,000	-20000	-6.67	B

(30 ticks@0.17=5 marks)

ii) Budget Performance Report of ADA to the District Chief Executive

Introduction:

This report provides you with the revenue budget performance analysis for the first quarter of 2021 and some suggestions for improving the budget reliability of the Assembly.

Revenue Performance for the period

The performance assessment relates to the revenue budget and execution for the first quarter of 2021. In all, it is only grants/donations that recorded a favourable budget outturn of GH¢20,000 more than the budget, resulting in an outturn percentage of 6.67% with a budget reliability score of B under the PEFA framework. This shows that donors lived up to their promises during the period. All IGF revenue lines recorded adverse variance, that is, below budget. However, in terms of PEFA Reliability score, the performance was good. This implies, there was a high-level accuracy in the revenue estimates for the Assembly. On the other hand, the budget reliability in terms of property rates and basic rates were poor, all scoring a D. The budget outturn of property rate was as high as GH¢310,000 and that of Basic Rate is GH¢105,000. This indicate that the Assembly must pay attention to its revenue generation efforts in these regards.

In conclusion, revenue performance of internally generated revenues is not encouraging and therefore, the following strategies were recommended:

- There should be effective registration and identification of immovable properties in the jurisdiction to make the mobilisation of property more effective and less cumbersome.
- An effective register of basic rate payers should be maintained electronically to help in levying and collecting basic rates. This will also help in ensuring the collection of arrears on basic rates from defaulting ratepayers.
- An effective internal control system over revenue should put in place to check and avoid leakages resulting in malfeasance and operational inefficiencies.

- Outsourcing of difficult-to-collect revenues to private firms to increase the commercial motivation to improve collection.
- Revenue collectors should be well motivated and given clear budget targets to achieve.

Introduction = ½ mark
Body= ½ x4 = 2 marks
Suggestion=3 points @1 mark = 3 marks
Conclusion= ½ marks
Total =6 marks

iii) Benefits of Revenue Budget

Revenue budgeting in the Assembly provides the following benefits:

- Revenue source identification and planning.
- It offers the opportunity to the Assembly to review its existing revenue sources and identify the potential revenue sources. This will help to improve the revenue net of the Assembly.
- Set target
- Revenue budgeting provides targets for implementation, and this target may motivate the responsible officer to achieve those targets.
- Communication
- It set out the revenue policies and strategies of the Assembly, which may serve as effective communication to the citizens.
- Proper cash management
- It enables the Assembly to plans and manages its cash need for the period, as the budget provides the total revenue that will be available for spending in the budget period.
- Performance measurement
- It provides a performance management tool that can assess the performance of responsible officers in executing the revenue budget.

(Any four points @ 1 mark each = 4 marks)

b) Audit committee and internal audit

Mr Chairman, kindly permit me to comment on the ensuing argument between the Internal Auditor and the Director of Finance relating to the role of internal audit. I have paid rapt attention to the contributions, and I believe that the debate should be settled based on the provisions of the Public Financial Management Act 2016 regarding the function of the internal audit.

The role of the internal audit is essential in public sector management and must contribute to the value addition process and governance processes in the organisation. The PFM Act 2016 (Section 83) stipulates the function of internal audit. An Internal Auditor of the Internal Audit Unit of a covered entity shall:

- appraise and report on the soundness and application of the system of controls operating in the covered entity;

- evaluate the effectiveness of the risk management and governance process of a covered entity and contribute to the improvement of that risk management and governance process;
- assure the efficiency, effectiveness and economy in the administration of the programmes and operations of a covered entity; and
- evaluate compliance of a covered entity with enactments, policies, standards, systems and procedures

  Mr Chairman, I wish to conclude that the pre-audit function is not a function of internal audit in the public sector. Therefore, the Internal Auditor should keep abreast with the value-adding role of internal audit to remain relevant to the organisation.

Introduction & conclusion= 1 marks
Functions= 4 points @ 1mark each = 4 marks
Total = 5marks

(Total: 20 marks)

CHIEF EXAMINER'S COMMENT
The question was made up of two sub-sections. Question 5(a) examined the budgetary control and PEFA in an integrated manner at the district assembly level. The candidates were asked to prepare a revenue budget report for the first quarter of 2021. Most of them were able to attempt it satisfactorily except a few who could not derive the first quarter budget and compute and score the variance percentages. The standard of the question was, however good.
The last sub-question was on the functions of internal audit under the Public Financial Management Act 2016. The question was an application one. Most candidates answered the question satisfactorily. Unfortunately, some candidates were ignorant about the functions of internal audits in the public sector. Nonetheless, the performance was good in this question.

CONCLUSION AND RECOMMENDATIONS
The general performance of candidates in the examination was not encouraging but better than the previous examination outcome. It is established that lack of preparation for the examination due to work and family pressures are the primary factor accounting for the poor performance of candidates in the course. In addition, candidates do not take their time to grasp the requirement of the question before responding to it, which has caused massive deviations by candidates.

Candidates are therefore encouraged to consider these recommendations when preparing for the subsequent examinations:
- First, the candidate must devote enough time to their studies despite their busy schedules. It is recommended that at least six hours of study a week be adequate for each course you intend to sit for.

- Second, the student should also seek good tuition from recognised Partners in Learning of the Institute to ensure that the knowledge acquired is relevant and current.
- The candidate should also read on examination techniques and take advantage of examination fora organised by the Institute to guide the candidates.
- Candidates and prospective candidates are advised to use the Institute's Study Manual and Question Bank in Public Sector Accounting and Finance- Paper 2.5 for their preparation since it has been prepared strictly in accordance with the syllabus. Other textbooks may also be of help.