

ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART II EXAMINATIONS – SEPTEMBER 2021

PUBLIC SECTOR ACCOUNTING
(GHANA VERSION)

Time Allowed: 3 hours

SECTION A: PART I MULTIPLE-CHOICE QUESTIONS (30 Marks)
ATTEMPT ALL QUESTIONS

Write ONLY the alphabet (A, B, C, D or E) that corresponds to the correct option in each of the following questions/statements

1. Which of the following is a feature of public sector entity?
 - A. Presence of profit motive
 - B. Financed using equity
 - C. Created by an Act of Parliament
 - D. Accountable to shareholders
 - E. Accountable to Directors

2. The public sector equivalent of International Accounting Standards 16 Property Plant and Equipment is
 - A. IPSAS 16
 - B. IPSAS 17
 - C. IPSAS 18
 - D. IPSAS 2
 - E. IPSAS 8

3. Financial reports prepared to respond to the requirements of users that have the authority to require them is
 - A. General Purpose Financial Report
 - B. Special Purpose Financial Report
 - C. Financial Statements
 - D. Authority Note
 - E. Notes to the Financial Report

4. Under the Harmonised Chart of Account of government, the cost of seminars and conferences is classified as
 - A. Compensation for employees
 - B. Subsidies
 - C. Goods and services
 - D. Social benefit
 - E. Service activity cost

5. The method of accounting in which recognition of transactions is based decision made on expenditure is termed.....
 - A. Accrual Basis
 - B. Budgetary Accounting
 - C. Commitment Accounting
 - D. Fund Accounting
 - E. Cash Accounting

6. Which of the following document permits commitment of funds by Ministries, Departments and Agencies
 - A. Warrants
 - B. Budget guidelines
 - C. Payment voucher
 - D. Appropriations
 - E. Vote Book

7. Which of the following is **NOT** an advantage of Fund accounting?
 - A. It is not consistent with government's approach to public service
 - B. It facilitates monitoring and evaluation of performance of the various funds created by government
 - C. It promotes accountability and control in public financial management
 - D. It ensures fiscal discipline in the use of public resources since virement is prohibited
 - E. Its ability to isolate the assets needed to meet a specific purpose

8. Which of the following is **NOT** a Financial Report Fund?
- A. Cash Budget
 - B. Fund Statement
 - C. Notes to the account
 - D. Statement of Financial Position
 - E. Statement of Cash flow
9. The District Assembly Common Fund Administrator is appointed by
- A. Local Government
 - B. Controller and Accountant General
 - C. Minister of Finance
 - D. President
 - E. Speaker of Parliament
10. Compulsory levies imposed on the people of a country by a legitimate body or person is
- A. Taxes
 - B. Grants
 - C. Levies
 - D. Rates
 - E. Loans
11. Which of the following consists of withdrawal from public funds based on legitimate authority and appropriate evidence of its application?
- A. Approved Spending
 - B. Public Expenditure
 - C. Statutory Expenditure
 - D. Discretionary Expenditure
 - E. Private Expenditure
12. Which of the following can be classified as revenues from exchange transactions?
- A. Tax
 - B. Donations

- C. Debt forgiveness
 - D. Royalties
 - E. Grants
13. The quality of information that makes it available to users before it loses its capacity to be useful for accountability and decision-making purposes is
- A. Relevance
 - B. Faithful Representation
 - C. Comparability
 - D. Timeliness
 - E. Faithfulness
14. The GIFMIS module that allows for preparing PVs and tracking liabilities is
- A. Accounts Payable
 - B. Accounts Receivable
 - C. General Ledger
 - D. Cash Management
 - E. Accrual Basis
15. The Supreme Audit Institution of Ghana is
- A. Auditor-General
 - B. Audit Service
 - C. Price Water House Coopers
 - D. Internal Audit Agency
 - E. Controller and Accountant General's Department
16. Which of the following is not a division of Ghana Revenue Authority?
- A. Internal Revenue Service (IRS)
 - B. Domestic Tax Division
 - C. Support Services
 - D. Customs Division
 - E. Commissioner General's Secretariat

17. Decentralised transfers of Metropolitan, Municipal and District Assemblies include all the following, **EXCEPT**
- A. District Assembly Common Fund
 - B. Revenue transferred from the Central Government
 - C. Revenue transferred from the District Assembly
 - D. Grants-in-aid from the central government
 - E. Revenue transferred from the District Assembly to the Consolidated fund
18. Which of the following is **NOT** a step in calculating inventory of goods lost in fire?
- A. Calculate the gross profit percentage for the previous year
 - B. Add the inventory salvaged from fire
 - C. Apply the gross profit percentage on the sales of the period to date of fire to obtain gross profit
 - D. Apply the average clause
 - E. Deduct the gross profit from sales to obtain cost of sales
19. At what stage in the budget cycle does the Minister for Finance determines the appropriateness of plans and estimates?
- A. Budget Authorization
 - B. Budget Formulation
 - C. Budget Implementation
 - D. Monitoring and Control
 - E. Budget Development
20. Which procurement structure is established for all central Management agencies, MDAs, and MMDAs?
- A. Tender Review Committee
 - B. Tender Evaluation Panel
 - C. Procurement Unit
 - D. Entity Tender Committee
 - E. Tender Entity Committee

21. Which procurement method allows few firms to tender for the supply of goods, works, and services?
- A. Single Source Procurement
 - B. Restricted Tendering
 - C. Two-stage Tendering
 - D. Competitive Tendering
 - E. Open Tendering
22. Accounting information is said to be faithfully represented when it
- A. Has confirmatory value
 - B. Is complete
 - C. Is consistent
 - D. Is timely
 - E. It is efficient
23. Which of the following are compulsory levies imposed on all ratable persons and properties within the jurisdiction of an assembly?
- A. Levies
 - B. Rates
 - C. Fees
 - D. Fines
 - E. Rents
24. Which of the following is **NOT** a Financial Asset of Government
- A. Loans
 - B. Advances
 - C. Currency Reserves
 - D. Trust Monies
 - E. Bank Balances
25. An advisory body to Government on the practice of internal auditing in all statutory bodies, government ministries and departments is the
- A. Institute of Internal Auditors
 - B. Internal Audit Agency

- C. Ghana Audit Service
 - D. Institute of Chartered Accountants, Ghana
 - E. Institute of Taxation
26. Which of the following is **NOT** a means of authorizing withdrawal from the public funds?
- A. Appropriation Act
 - B. Supplementary budget approved
 - C. Presidential assent
 - D. Approval for expenditure in advance of Appropriation
 - E. Virement
27. Under the Public Financial Management Act, 2016, financial reporting in a covered entity is the responsibility of the
- A. Principal Spending Officer
 - B. Controller and Accountant General
 - C. Principal Accounts Holder
 - D. Head of Finance
 - E. Director of Finance
28. The Auditor-General audits public accounts
- A. Annually
 - B. Quarterly
 - C. Semi-Annually
 - D. Weekly
 - E. On call
29. Who is responsible for compiling public accounts of the Consolidated Fund?
- A. Minister of Finance
 - B. Controller and Accountant General
 - C. Principal Account Holder
 - D. Principal Spending Officer
 - E. The Auditor General

30. The public sector accounting basis that combines both the accrual and cash bases is called
- A. Modified Accrual Basis
 - B. Modified Cash Basis
 - C. Accrual Basis
 - D. Cash Basis
 - E. Mixed Basis

SECTION A: PART II SHORT-ANSWER QUESTIONS (20 MARKS)

ATTEMPT ALL QUESTIONS

Write the correct answer that best completes each of the following questions/statements.

1. A technique which recognises transactions (especially expenditures) when a decision is made is
2. The objective of public sector accounting is
3. Two types of accounts found in a fund are and.....
4. A public fund is
5. The District Assembly Common Fund is managed by
6. The authority to approve the imposition of taxes on the citizens of Ghana is entrusted to
7. refers to revenues that accrued to government from sources other than taxes, grants and borrowings
8. One broad assumptions underlying the preparation and presentation of financial statements is
9. Accrual reports are converted into cash based reports by adjusting for accrual information. **(TRUE/FALSE)**
10. Income from an investment constitutes part of the revenue of an Assembly. **(TRUE/FALSE)**

11. One objective of expenditure control is
12. The issuance of a budget circular to the various heads of department is done by
13. The methods and processes that are used to monitor, evaluate and control government budget is
14. A system of analysing government expenditure which examines the effect of government spending plan on the development of the country is
15. The accounting standards approved for the public sector is called
16. A center which is used for the coordination of fixed assets of an entity is
17. The institution mandated to monitor the use and management of all public funds and report to Parliament is
18. The Internal Audit Agency reports directly to
19. One power of the Auditor General is
20. Warrants are issued on the

SECTION B: ATTEMPT ANY FOUR QUESTIONS (50 MARKS)

QUESTION 1

The primary objective of the Internal Audit Unit is to provide an appropriate level of oversight on organisational activities to facilitate the achievement of goals of an MDA. The Internal Audit Agency which regulates the internal audit practices within a public sector entity requires its members to uphold some principles required for the smooth conduct within the profession.

Required:

- a. Identify **FIVE** responsibilities of an Internal Audit Unit within a covered entity. (5 Marks)
- b. Explain the fundamental principles of the code of ethics for internal auditors in the public sector. (7½ Marks)

(Total: 12½ Marks)

QUESTION 2

The aggregation of projected revenues and expenditures of MMDAs is done by the Regional Co-ordinating Council and then submitted to the Minister responsible for Finance.

Required:

- a. Explain **FOUR** objectives of composite budgeting. (6½ Marks)
- b. Identify **THREE** functions of the District Assembly Common Fund Administrator (6 Marks)

(Total: 12½ Marks)

QUESTION 3

Adama Municipal Assembly has provided you with the following information on its inventory (laptops) it received and issued for the month of October, 2020.

Date	Receipt	Date	Issue
2/10/2020	240@ GH¢1,500	5/10/2020	100
6/10/2020	120@ GH¢1,350	15/10/2020	50
18/10/2020	60@ GH¢ 1,000	20/10/2020	200

27/10/2020	40@ GH¢ 1,200		
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On 1/10/2020, the department had 50 laptops@ GH¢ 1,600 in inventory.

Required:

Using the above information, compute the value of the closing inventory for the department using;

- i. LIFO
- ii. FIFO

(Total: 12½ Marks)

QUESTION 4

Management of public expenditure forms an important component in public financial management. In Ghana, public expenditure is classified per the chart of accounts classification.

Required:

- a. What is a Chart of Accounts?
- b. Explain **FIVE** objectives of the Chart of Accounts

(Total: 12½ Marks)

QUESTION 5

The trial balance relates to the Consolidated Fund for the year ended, 31st December, 2020

	GH¢'000	GH¢'000
Tax Revenue		300,000
Export Duties		25,000
Import Duties		36,000
Loans and Advances	50,000	
Equity	40,000	
Investment	65,000	
Compensation	16,000	
Motor Vehicle	27,000	
Cash		
External		115,000

Borrowing			
Internal			218,000
Borrowing			
External	Debt		
Interest		10,000	
Workshop	and		
Training		12,000	
Consultancy		15,500	
Secondment		18,900	
Transfer	to		
DACF		90,000	
Property, Plant and Equipment		39,000	
Medical Refund		22,100	
Social Benefit		19,900	
Accumulated			
Fund		315,000	
Grant		_____ -	<u>46,400</u>
		<u>740,400</u>	<u>740,400</u>

Other Information

Consumption of Non-financial assets is charged at 15% per annum on straight line basis.

Required:

Prepare for the Consolidated Fund, the following:

- i. Statement of Financial Performance for the year ended, 31st December, 2020
- ii. Statement of Financial Position as at 31st December, 2020

(Total: 12½ Marks)

QUESTION 6

The Public Financial Management Act (2016) prescribes specific responsibilities and powers of the key officers and institutions.

Required:

Identify **THREE** roles each of the following persons or institutions in Public Financial Management

- a. Principal Spending Officer

- b. Controller and Accountant General
- c. Minister for Finance
- d. Budget Office

(Total: 12½ Marks)

SOLUTIONS TO QUESTIONS

Multiple choice Questions

QUESTION	ANSWER
1.	C
2.	B
3.	B
4	C
5	C
6.	A
7.	A
8	B
9	D
10	A
11	B
12	D
13	D
14	A
15	B
16	A
17	C
18	B
19	A
20	A
21	B
22	B
23	B
24	D
25	B
26	C
27	A
28	A
29	B
30	A

SHORT ANSWER QUESTIONS

1. Commitment Accounting
2. The key objective of PSA system is to provide useful information for demonstration accountability for the use of public resources while business accounting is concerned with providing information on profitability to the investors for decision making.
3. Above-the-line-accounts and Below-the-line-accounts
4. A public fund is made up the consolidated fund, contingency fund and other funds established by or under an Act of Parliament
5. District Assembly Common Fund
6. Parliament
7. Non-Tax Revenue
8. Accounting Concepts
9. TRUE
10. TRUE
11. The objective of expenditure control is to ensure that public resources are spent as intended, within authorized limits, and following sound financial management principles.
12. Minister of Finance
13. Budget Management
14. Public Expenditure Survey
15. IPSAS
16. Fixed asset coordinating unit
17. Ministry of Finance
18. President
19. Powers of Auditor General include
 - Independence from influence
 - Access to documents and information relating to his work
 - Disallowance of expenditures
 - Surcharge of public officers
20. GIFMIS

ESSAY QUESTIONS

QUESTION 1

a. Functions of the Internal Audit Unit in public sector institutions are as follows:

- The Internal Audit Unit ensures financial, managerial and operating information reported internally and externally is accurate, reliable and timely,
- It also makes sure the financial activities of the Ministries and District Assemblies are in compliance with laws, policies, plans, standards and procedures,
- Safeguarding national resources adequately
- Ensuring national resources are used economically, effectively and efficiently,
- Making sure the plans, goals and objectives of Ministries and District Assemblies are achieved, and
- Identifying and managing risks adequately in the Ministries and District Assemblies

(5 Marks)

b. The fundamental principles of the code of ethics for internal auditors in the public sector are as follows

• **Integrity**

The principles of honesty and fairness are to be observed. The basic point that is raised here is that his report should bring with it an air of trust, reliance and fairness.

• **Objectivity**

An internal auditor should refrain from making reckless and irresponsible statements or resorting to expressions without proper evidence.

• **Professional Competence**

An internal auditor is expected to apply appropriate skill and knowledge combined adequately with experience.

• **Confidentiality**

The internal auditor should safeguard all information received by him as most of them may be of confidential nature.

• **Professional Behaviour**

Internal Auditors should conduct themselves in a manner that will not put the name of their profession into disrepute.

(7½ Marks)

(Total: 12½ Marks)

QUESTION 2

- a) The objectives of Composite Budgeting are to ensure:
- Cost effectiveness in the planning and implementation of district programmes
 - Holistic development of the MMDAs
 - Transparency in the use of resources
 - Effective planning and utilization of resources
 - A unified approach for district and national budgeting system
 - Uniform system of monitoring, evaluation and reporting system
 - Determination of the total inflow and outflow of resources to the Assembly.

(6½ Marks)

- b) Functions of the District Assembly Common Fund Administrator
- Propose formula annually for the allocation and distribution of the common fund to the MMDAs
 - Allocate and distribute the common fund quarterly based on the approved formula to the various MMDAs
 - Report in writing to the MOF on how the fund was distributed and utilized by the various MMDAs
 - Perform any other functions required by the President of the Republic.

(6 Marks)

(Total: 12½ Marks)

QUESTION 3

i.

LIFO

Date	Receipt			Issue			Balance	
	Qty	rate	Amount (GH¢)	Qty	rate	Amount (GH¢)	Qty	Amount (GH¢)
1/10/2020							50	80,000
2/10/2020	240	1,500	360,000				290	440,000
5/10/2020				100	1,500	150,000	190	290,000
6/10/2020	120	1,350	162,000				310	452,000
15/10/2020				50	1,350	67,500	260	384,500
18/10/2020	60	1,000	60,000				320	444,500
20/10/2020				60	1,000	60,000		
				70	1,350	94,500		
				70	1,500	105,000	120	185,000
27/10/2020	40	1,200	48,000				160	233,000

The value of closing inventory for laptops (160) is GH¢ 233,000 using the LIFO Basis

ii.

FIFO

Date	Receipt			Issue			Balance	
	Qty	rate	Amount (GH¢)	Qty	rate	Amount (GH¢)	Qty	Amount (GH¢)
1/10/2020							50	80,000
2/10/2020	240	1,500	360,000				290	440,000
5/10/2020				50	1,600	80,000		
				50	1,500	75,000	190	285,000
6/10/2020	120	1,350	162,000				310	447,000
15/10/2020				50	1,500	75,000	260	372,000
18/10/2020	60	1,000	60,000				320	432,000
20/10/2020				140	1,500	210,000		
				60	1,350	81,000	120	141,000
27/10/2020	40	1,200	48,000				160	189,000

The value of closing inventory for laptops (160) is GH¢ 189,000 using the FIFO Basis.

(Total: 12½ Marks)

QUESTION 4

- a) A chart of accounts is a critical element of the PFM framework for classifying, recording and reporting information on financial plans, transactions and events in a systematic and consistent way.
- b) The Charts of Accounts has been established to achieve the following objectives:
- Control
 - Accountability
 - Budget management (eg facilitation of virement)
 - Financial Planning and management
 - Management information systems
 - General purpose financial reporting
 - Statistical reporting

(Total: 12½ Marks)

QUESTION 5

a)

Consolidated Fund			
Statement of Financial Performance as at 31st December, 2019			
	Workings	GH¢'000	GH¢'000
Revenue			
Tax Revenue	(WK 1)		361,000
Grant			46,400
Total Revenue			407,400
Expenditure			
Goods and Services	(Wk 3)	27,500	
Compensation	(Wk 2)	83,900	
Consumption of Fixed Capital	(Wk 5)	8,250	
Social Benefit	(Wk 4)	42,000	
Public Debt Interest		10,000	
Grant- Transfer to DACF		90,000	
Total Expenditure			<u>261,650</u>
Excess Revenue over Expenditure			<u><u>145,750</u></u>

b)

Statement of Financial Position as at 31st December, 2019

	GH¢'000
Non-Financial Assets	
PPE	36,600
Motor Vehicle	10,150
Financial Assets	
Equity Investment	40,000
Loans and Advances	50,000
Cash	<u>27,000</u>
Total Assets	<u><u>163,750</u></u>

Liabilities and Accumulated Fund	
Public Debt(Wk 6)	333,000
Accumulated Fund	(315,000)
Surplus	<u>145,750</u>
	<u>163,750</u>

Workings

Wk. 1 Tax Revenue	GHC'000
As per Trial Balance	300,000
Import Duties	25,000
Export Duties	<u>36,000</u>
	<u>361,000</u>

Wk 2. Compensation	
As per trial balance	65,000
Secondment	<u>18,900</u>
	<u>83,900</u>

Wk 3. Goods and Services	
Workshop and Training	12,000
Consultancy	<u>15,500</u>
	<u>27,500</u>

Wk 4 Social Benefit	
As per Trial Balance	19,900
Medical Refund	<u>22,100</u>
	<u>42,000</u>

Wk. 5 Consumption of Fixed Capital	
Motor Vehicle	2,400
PPE	<u>5,850</u>
	<u>8,250</u>

Wk. 6 Public Debt	
External Borrowing	115,000
Internal Borrowing	<u>218,000</u>
	<u>333,000</u>

(Total: 12½ Marks)

QUESTION 6

a) Principal Spending Officer's Role in PFM

- 1) Ensures the regularity and proper use of money appropriated in that covered entity.
- 2) Authorizes commitments for the covered entity within a ceiling set by the Minister
- 3) Manages the resources received, held or disposed of by or on account of the covered entity.
- 4) Establishes an effective system of risk management, internal control and internal audit in respect of the resources and transactions of a covered entity.
- 5) Remits the subvention received on behalf of another entity to that entity in accordance with the approved cash flow plan for the subvention

b) Controller and Accountant General's role in PFM

- 1) Receive, disburse and provide secure custody for public funds
- 2) compile and manage the accounts prepared in relation to public funds
- 3) keep, render and publish statements on public accounts
- 4) On the instructions of the Minister, open an account with the Bank of Ghana and its agents necessary for the deposit of public funds

c) Minister of Finance

- 1) Manage Government property, financial assets, Government debts, Government guarantees and other contingent liabilities
- 2) Account for public funds through a consolidated public account
- 3) Supervise the financial operations of a covered entity
- 4) Manage public funds
- 5) Coordinate and mobilise resources including financial assistance from development partners and integrate the resources into the planning, budgeting, reporting and accountability processes
- 6) Provide policy framework for conducting banking and management of cash for a covered entity

d) Budget Office

- 1) The preparation of the annual estimates and Medium-term Expenditure Framework within the constraints specified in the Government's Fiscal Strategy Document

- 2) The preparation of the mid-year review and half-yearly budget implementation reports
- 3) Advising the Minister through the Chief Director on all matters related to the annual budget, supplementary budget and the Medium Term Expenditure Framework
- 4) Advising the Chief Director on matters related to the classification of the budget and systems required to prepare the budget

(Total: 12½ Marks)