

**AUGUST 2022 PROFESSIONAL EXAMINATION
PUBLIC SECTOR ACCOUNTING & FINANCE (PAPER 2.5)
CHIEF EXAMINER’S REPORT, QUESTIONS & MARKING SCHEME**

GENERAL COMMENTS

The standard of the question paper administered was very good. The questions were clear, practical, unambiguous with almost a 100% syllabus coverage. There has been a significant improvement in the quality of responses offered by candidates. The presentation skills of candidates have improved drastically, perhaps as a result of the interventions and outreach programmes of the Institute. Consequently, the performance of the Candidates has witnessed tremendous improvements over the past sittings. In all, 50% of Candidates who wrote the examination passed as against 18% and 34% pass rates in April 2022 and November 2021 examinations respectively. This may serve as an inspiration to prospective Candidates knowing that when the right things are done in the exams, they will surely pass.

STANDARD OF THE PAPER

In line with the approved examination structure in the syllabus, the paper consists of five questions of which the Candidates were required to attempt all questions. The questions were equally weighted. In order to have a wider coverage of the syllabus, each major question was structured into sub-questions and sub-sub questions. In all, the paper has five (5) major question, nine (9) sub-questions and twelve (12) sub-sub-questions, providing near 100% syllabus coverage.

In my estimation using Bloom’s Taxonomy (Armstrong, 2016), the test items ranked as follows: understanding (15%), application (70%), analysis (15%) and evaluation (5%). This is consistent with the learning outcomes set out in the syllabus. The standard of the paper was very good and comparable to the previous years. Nevertheless, exam setters are encouraged to explore innovations in making the questions clearer, practical, interactive and resonate with the realities of the Candidates.

PERFORMANCE OF CANDIDATES

The performance of the candidates is reflective of the quality of the test items of the paper. The performance of the candidates has improved tremendously compared to the previous examination outcomes as shown in the Table below:

Diet	August 2022	April 2022	November 2021	May 2021	November 2020
Pass Rate	50%	18%	20%	34%	23%

Source: ICAG database.

The impressive improvement in current performance can be attributed to interventions organised by the Institute. The ‘**virtual meet the examiners series**’ organised by the Institute, which was well attended by the candidates might have contributed to the positive examination outcome. In addition, some concerned lecturers organised free virtual interventions, which ran candidates through the topics and also provided them free learning materials to guide them in the final preparation

towards the examination. This might have bridged the awareness gap of the candidates thereby increasing the quality of the responses to the questions.

NOTABLE STRENGTHS & WEAKNESSES OF CANDIDATES

Strengths of Candidates

The Candidates demonstrated strengths in their responses in the following topics and aspects:

- Preparation of financial statement. The responses of Candidates to question two was encouraging as more than 90% of them attempted the question and performed above average. The test item on preparation of financial statement remained the most popular and well attempted over the years. However, few candidates still struggled with the classification of accounts items in line with the Chart of Accounts of Government. Some also failed to present accounting policies as part of the notes to the financial statements as required by question 1 (c). It should be noted that whenever you are asked to present the notes to the financial statement you have prepared, you must start from Note 1: Accounting Policies.
- Appreciation of accrual policy of accounting. Most candidates demonstrated in depth understanding of the implications of accrual accounting and cash accounting policies in the public sector.
- Budget performance reporting. Candidates showed impressive knowledge in preparing budget performance report and the question was well answered by most candidates, except that some failed to appreciate the implication of supplementary budget.
- Primary Users of financial Statement. Candidates have demonstrated considerable understanding of the conceptual underpin of users of financial information in the public sector.
- IPSAS. Candidates showed in-depth understanding of the issue pertaining to IPSAS adoption and implementation in developing countries.

Common Weaknesses of Candidates

The following common flaws were identified from the responses of the Candidates:

- Poor handling of application questions. Many Candidates struggled with questions that required them to apply their knowledge to a given practical situation. For example, Question 4 (c) and Question 5 (a) posed huge challenge to many Candidates, despite the simplicity of the questions asked. Candidates demonstrated theoretical understanding of the topics but failed to relate it to real-life situation. They are encouraged to develop practical understanding whatever they learn in order not to find themselves in this unfortunate situation.
- Poor organisation of responses. Some candidates failed to communicate their ideas and understanding effectively in their responses. Some also failed to organise the responses professionally. For example, some Candidates mixed up the sub-questions in the presentation making it difficult for examiners to trace responses in the answer booklet. Candidates should follow strictly instructions on the answer booklets and do the needful as prospective professional accountant.
- Topics that Candidates found difficult to handle in the examination are PEFA and Fiscal Policies. Candidates are encouraged to pay much attention to these areas.

QUESTION ONE

- a) *IPSAS 3: Accounting Policies, Changes in Accounting Estimates and Errors* governs the process of selecting and changing accounting policies, as well as the accounting treatment and disclosure of changes in accounting estimates and the correction of errors. Accounting policies differ under cash basis and accrual basis of accounting in terms of recognition and measurement of revenue, assets and liabilities.

Required:

- i) Explain *Accounting Policies*. (2 marks)
- ii) Discuss the differences in cash-based policies and accrual-based policies in terms of the recognition and measurement of:
- Revenues (2 marks)
 - Assets (4 marks)
 - Liabilities (2 marks)
- b) Ghana signalled the adoption of IPSAS in 2014 and the IPSAS Implementation Committee was formed subsequently. Unfortunately, the implementation of IPSAS is yet to be realised and this has become a concern to many public financial management observers. Meanwhile, those who oppose the adoption of IPSAS in developing countries feel vindicated.

Required:

- i) Discuss **FOUR (4)** arguments against the adoption of IPSAS in developing countries. (4 marks)
- ii) Recommend **FOUR (4)** strategies in ensuring effective implementation of IPSAS. (6 marks)

(Total: 20 marks)

QUESTION TWO

Stated below are the balances extracted from the Consolidated Fund of the Republic of Ghana for the year ended 31 December, 2021.

	Dr	Cr
	GHC'million	GHC'million
Cash and Cash Equivalent	10,538	
Domestic Debts		15,539
Public Debt Interest	3,459	
Taxes paid by Corporations		3,600
Taxes paid by Individuals		4,272
Repairs and Maintenance	930	
Rentals		9,608
Dividends		1,396
Fertilizer Subsidy	18	
Established Position	7,000	
Contract Appointment	13	
Transfer to School Feeding	554	
Counterpart Fund from Development Partners		320
Non-Established Position	727	
Subsidies on Petroleum products	21	
Emergency Service	155	
Materials and Office Consumables	1,437	
General Tax on Goods and Services		3,200
Tax on Exports		2,440
Infrastructure	9,960	760
Property, Plant, and Equipment	40,160	840
Investment Property	9,840	600
Work in Progress	839	
Equity and other Investments	2,327	
Property Income		476
Petroleum Related Fund		1,010
General Cleaning	1,479	
Social Assistance Benefits	773	
Other Expenditure	240	
Advances	252	
Short Term-Loan	331	
Grant		270
Training and Capacity Building	800	
Consultancy Expenses	516	
Salaries to Secondment staff	84	
Receivables	80	
External Debt		51,974
Other Payables		6,340
Supplier Payables		77
Accumulated fund	<u>10,189</u>	
	<u>102,722</u>	<u>102,722</u>

Additional information:

- i) It is the policy of the Controller and Accountant General to adopt Accrual Basis in preparing the Public Accounts of the Consolidated Fund 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) During the year, staff of Controller and Accountant General benefited from an IPSAS certification training programme fully funded by the Swiss government. The fair value of these services amounted to GH¢18 million. This transaction has not been recorded in the Trial Balance.
- iii) Some multilateral partners have extended Debt Forgiveness Policy to the Government which has resulted in external debt amounting to GH¢3 billion being written off during the year. However, this transaction has not been reflected in the books of accounts.
- iv) The Grant shown in the trial balance as revenue relates to Project Grant which Government has applied from African Development Bank amounting to \$56 million but the grant received in the Trial Balance represents part of the expected grant. The Minister of Finance and Controller and Accountant General have provided enough evidence indicating that Government will fulfil all the conditions that merit the full release of the Grant to the State and it is highly probable that the remaining Grant will be released. The exchange rate as at the balance sheet date was GH¢6 to \$1.
- v) Consumption of Non-Current Assets is charged on Straight Line Basis for the year as follows:

Asset	Useful life
Property, Plant, and Equipment	20 years
Investment Property	40 years
Infrastructure	30 years

- vi) On 1 September, 2020, GH¢5 billion was spent in acquiring Motor Vehicle to boost Government project. However, these transactions were included in the accounts as Goods and Service in the year 2020. This error has since not been rectified.

Required:

Prepare in a form suitable for publication:

- a) Statement of Financial Performance for the year ended 31 December 2021. **(9 marks)**
- b) Statement of Financial Position as at 31 December, 2021. **(7 marks)**
- c) Notes to the accounts. **(4 marks)**

(Total: 20 marks)

QUESTION THREE

- a) The Public Expenditure and Financial Accountability (PEFA) program was initiated in 2001 by seven international development partners: The European Commission, International Monetary Fund, World Bank, and the Governments of France, Norway, Switzerland, and the United Kingdom. PEFA began as a means to harmonize assessment of Public Financial Management (PFM) across the partner organisations. It subsequently established a standard methodology for PFM diagnostic assessments, the PEFA framework. Since 2001 PEFA has become the acknowledged standard for PFM assessments. In 2019, the Ministries of Finance of the Slovak Republic and the Grand Duchy of Luxembourg became new partners of the program.

The PEFA program provides a framework for assessing and reporting on the strengths and weaknesses of PFM using quantitative indicators to measure performance. 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.

PEFA is also a methodology for assessing PFM performance. It identifies 94 characteristics (dimensions) across 31 key components of PFM (indicators) in 7 broad areas of activity (pillars).

Required:

Discuss **FIVE (5)** reasons Ghana should carry out PEFA Assessment. **(10 marks)**

- b) Below is the Revenue and Expenditure Extract of the Consolidated Fund for the year ended 31 December 2021.

Consolidated Fund of Ghana
Statement of Financial Performance for the year ended 31 December, 2021

	Actual GH¢'000	Original Budget GH¢'000
Revenues		
Tax revenues	270,000	312,000
Non tax revenues	26,700	39,000
Grants and Donations	<u>7,200</u>	<u>10,800</u>
Total revenue	<u>303,900</u>	<u>361,800</u>
Expenditures		
Compensation of employees	121,500	124,800
Goods and Services	54,000	120,700
Consumption of fixed capital	1,950	-
Interest	81,000	82,100
Social benefit cost	1,500	1,800
Subsidies	1,080	1,170
Grants	2,700	2,910
Other expenditure	<u>34,020</u>	<u>32,000</u>
Total expenditure	<u>297,750</u>	<u>365,480</u>
Net Operating result	<u>6,150</u>	<u>(3,680)</u>

Additional information:

The Minister for Finance, has presented a mid-year budget review to Parliament that included a supplementary (additional) budget for 2021. The Minister has cited several local and international reasons for the budget adjustments. The approved supplementary budget is as follows:

	GH¢'000
Compensation of employees	11,500
Goods and services	17,000
Interest	2,500
Social benefit cost	1,500
Subsidies	<u>180</u>
Total expenditure	<u>32,680</u>

Required:

Prepare a Budget Performance Report showing relevant variances and explanation for the possible causes. **(10 marks)**

(Total: 20 marks)

QUESTION FOUR

- a) Competitive Tendering as a method of public procurement minimises the risks associated with the public procurement process.

Required:

- i) Explain **FOUR (4)** challenges in public procurement which has been dealt with by the use of Competitive Tendering. **(4 marks)**
- ii) Explain **FOUR (4)** reasons why the excessive use of Competitive Tendering can sometimes create problems in public procurement. **(4 marks)**
- b) A procurement entity may for reasons of ensuring value for money and subject to the approval of the Board, engage in Procurement by means of Restricted Tendering.

Required:

Explain **TWO (2)** conditions under which a procurement entity shall use Restricted Tendering in the award of Contracts. **(2 marks)**

- c) The government is currently experiencing serious fiscal challenges as a result of Covid-19 recovery programmes. Despite the fiscal challenges, the government wishes to complete the following projects and programmes during the year:
- 1) Massive road projects that will cost in excess of GH¢10 billion.
 - 2) Drastic improvement in electricity power generation and distribution throughout the country which requires an injection of not less than GH¢6 billion into the operations of the Electricity Company of Ghana and Volta River Authority. Government does not want to lose its ownership of the energy sector.
 - 3) Efficient management of University of Ghana Medical Centre to increase revenue generation through quality service delivery to the entire sub-region.

The government is seeking proposal on how these can be achieved with minimal or no impact on the worsening fiscal condition of the country.

Required:

- i) Explain how government can employ Public Private Partnership (PPP) in realising the attainment of its programmes and projects. **(1 mark)**
- ii) Suggest an appropriate PPP arrangement for each of the three projects above within the fiscal constraints of government, emphasizing how the proposed arrangement will help to achieve the results. **(9 marks)**

(Total: 20 marks)

QUESTION FIVE

- a) In the build up to the 2021 budget, Cabinet received a fiscal policy proposal from the Minister for Finance for consideration and approval. The highlights of the proposal are as follows:
 - 1) *Tax on income of individuals and small and medium enterprises will be suspended completely for the 2021 fiscal year. The rationale behind this proposal is to show gratitude to Ghanaians for re-electing the government to continue its good work.*
 - 2) *Government will finance its programmes and projects from both domestic and external borrowing despite the already existing high debt to Gross Domestic Product (GDP) ratio.*
 - 3) *Government will relax the existing tight expenditure management and control mechanism such as strict fiscal discipline measures to ensure flexibility and innovation in the Ministries, Departments and Agencies of the government.*

You are the advisor to a Cabinet Minister on public financial management issues and you are requested to provide the necessary understanding and assessments of the proposed policies before the next cabinet meeting.

Required:

- i) Explain to the Minister, the guiding principles of formulating and implementing fiscal policy objectives of government under the Public Financial Management Act, 2016 (Act 921). **(6 marks)**
 - ii) Assess the appropriateness of the three proposals highlighted based on the principles you have explained in i) above. **(6 marks)**
 - iii) Discuss the effects of the above proposals on the fiscal balance and debt sustainability of the country. **(3 marks)**
- b) The *Conceptual Framework* classifies users of public sector financial information into “primary users” and “others”.

Required:

Identify **THREE (3)** primary users and their information needs. **(5 marks)**

(Total: 20 marks)

SUGGESTED SOLUTION

QUESTION ONE

a)

i) Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements. They relate to the underlying choices in the preparation and presentation of financial statement. The accounting policies applied in the preparation and presentation of financial statements are disclosed in the notes to the financial statements to ensure understandability of the financial information by the users. **(2 marks)**

ii) Comparison of cash basis policies and accrual basis policies in terms of recognition and measurement is as follows:

- **Revenue recognition and measurement**

Under cash basis policies, revenue is recognised when received but recognised when earned under accrual basis policies. Revenue is measured at the amount received under cash basis policies but at the amount earned, and receivable under accrual basis policies. **(2 marks)**

- **Asset recognition and measurement**

Only cash available to be use to make payments is recognised as an asset under cash basis policies but all resources that have the potential to generate economic benefits in future and which originated from past transactions may recognised as assets if they can have measured reliably. All assets are measured at the historical amount under cash basis but under accrual may be measured using one of historical cost, fair value, recoverable amount, replacement cost etc. depending on the type of item and the choice of policy option. **(4 marks)**

- **Liability recognition and measurement**

Under cash basis policies, there are no liabilities. Under accrual basis policies, here could be liabilities and are recognised where there exists a present obligation that will lead to outflow of economic benefits in future provided that the obligations arose from past transactions. Under accrual basis policies, liabilities are measured at the present value of amount expected to be paid at maturity. **(2 marks)**

b)

i) **Argument against IPSAS adoption**

Some raised arguments against the adoption of IPSAS. These arguments include:

- Sovereignty of Nations. Every country is a sovereign state capable of making rules that govern how the resources of the State should be accounted for. Therefore, the adoption of IPSAS is unnecessary.
- High cost of implementation. It is argued that the implementation of IPSAS involves huge cost including database management, training, switching cost and payroll cost. This money could be used to support the provision of social amenities and infrastructure in deprived areas.

- Conflict between the requirements of the laws and that of the IPSAS. The provisions of the IPSAS may be inconsistent with the country's laws on finance and therefore there is no need to go for it. However, the IPSASB is clear that whenever there is such conflict, the national legislations should supersede the provisions of the IPSAS.
- Lack of capacity to implement the IPSAS successfully. Developing countries do not have the capacity to implement the IPSAS because they lack the resources and competences required. Therefore, the IPSAS is a burdensome imposition.
- Complexity of the Standards.
The standards are complex and focus more on the circumstances of developed countries. This will not only make preparation difficult but also the understandability will be jeopardized.

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

ii) Strategies for ensuring effective implementation of IPSAS

To ensure a successful implementation of IPSAS, the following critical success factors are worth noting:

- **Lobby for high level political support-** for any major change process in general and IPSAS in particular, high level political support is critical. Therefore, the Controller and Accountant General must obtain top political support by demonstrating to the political class how IPSAS compliant financial statements can improve decision making and lead to improvement in service delivery and hence poverty reduction. When political leaders appreciate the fact that improved financial reporting leads to improved accountability and transparency which are fundamental principles of democracy and political stability, they will be more amenable to support IPSAS implementation. In this regard, the ICWG recommended that an IPSAS Implementation Steering Committee should be set up to champion and court support for IPSAS implementation from the top echelons of the political class of the government.
- **Carry out Legal and legislative Reviews-** Selected amendments need to be made so that the reporting requirements of the law are aligned to accrual basis IPSAS requirements for purposes of clarity.
- **Training of key personnel-** As IPSAS will bring about a transformation to the financial management process within the public sector, there must be a comprehensive training strategy which covers all key stakeholders. To be effective, this strategy can be preceded by training needs analysis which would clearly highlight what is or is not required in terms of skills and the training program strategized to address those issues. Moreover, resistance to IPSAS implementation by MDAs and MMDAs can be minimized through a targeted comprehensive hands-on training of all government officers with financial reporting responsibilities. When people understand the issues involved and are able to carry out the tasks required in IPSAS implementation, not only will they embrace it, but they will become champions and advocates of IPSAS implementation.
- **Development of accounting manual.** The development of a comprehensive but simplified accounting manual which clearly lays out the procedures involved in the various processes required by IPSAS as well as a clarified government chart of

accounts is an essential pre-requisite for successful implementation of IPSAS. The manual becomes a reference point for guidance and further reduces the possibility of resistance. It can also serve as an induction material especially for newly recruited accounting staff.

- **Development of comprehensive implementation plan-** A comprehensive and reasonably phased implementation plan is required to guide the implementation. Implementing IPSAS is not a short-term activity and but a very long-term undertaking which requires careful planning of resources throughout the period. Generally, a time frame between five to ten years would normally be required to do such implementation and without proper planning, the whole endeavour could stall and result in not achieving the desired goals.
- **Logical Sequencing of implementation and phasing-** IPSAS implementation involves a number of several sub activities. Successful implementation depends on appropriate sequencing of the activities. It is always better to start with activities that yield quick wins to soar up confidence and morale. It is also important that initial activities should be those that drive subsequent activities. Implementation in stages by sector or size is much more manageable since a 'big bang' approach to IPSAS implementation can be overwhelming. It is recommended that implementation be staged by sector MDAs in phases.
- **Adopt a piloting approach-** It is always good to precede the actual implementation of large reforms with a pilot approach. Typical MDAs should be selected as pilots for IPSAS implementation to learn the bottlenecks and have these resolved before large scale implementation.
- **Change management-** A critical issue relating to the successful implementation of any reform project is the management of change. Putting in place appropriate change management strategies is a sine qua non for the successful implementation of IPSAS. So a comprehensive communication and change management strategy should be developed as soon as possible before beginning the full implementation of IPSAS.
- **Identify champions to push the IPSAS implementation agenda-** To secure the successful implementation of IPSAS, it is critically important that individuals who have access to government officials that have authority to authorize actions buy into the IPSAS agenda and act as champions for IPSAS implementation.
- **Comprehensive review of the ICT platform-** the fact that an ERP system is in place (GIFMIS) is not adequate that this system will be able to cater to all the needs and requirements of IPSAS particularly with regards to reporting and the alignment of IPSAS business processes with the ERP architecture, the Oracle E-Business Suite. Some high impact areas would be fixed assets (property, plant, and equipment); inventory, and reporting (financial statements and disclosure of notes to the accounts); etc.
- **Risk assessment** - A risk assessment of the implementation has to be undertaken and the potential risks identified for an effective implementation as well as the approach to mitigate these risks. The advice and support of the external auditors on these issues could be valuable and effective.

(Any 4 points @ 1.5 marks each = 6 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Question One has two sub-questions and four sub-sub questions. The first sub-question examined candidates on their understanding and application of accounting policies relating to cash basis and accrual basis. The question was very clear and tested what it sought to test. It is a high-quality test item, in my opinion. The marks allocated to the question is consistent with the weight assigned to the topic in the syllabus.

The second sub-question, tested the candidates on the International Public Sector Accounting Standards. Specifically, the question elicited responses of candidates on opposing arguments on IPSAS adoption in developing countries and further tasked them to proffer strategies for its effective implementation. The question is very practical and it resonates with the current realities of implementation of IPSAS in Ghana, which many candidates are part of or have information about. The question is an excellent test item. The mark allocated to the question is also consistent with the weights assigned to it in the syllabus.

QUESTION TWO

a)

CONSOLIDATED FUND OF GHANA
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
31/12/2021.

REVENUE:	Note	GH¢'000	GH¢'000
Direct Taxes	2	7,872	
Indirect Taxes	3	5,640	
Non-Tax Revenue	4	11,480	
Donations, Gifts and Grants	5 a	<u>3,674</u>	
Total Revenue			28,666
EXPENDITURE:			
Compensation of Employees	6	7,811	
Use of goods and services	7	5,348	
Public Debt Interest		3,459	
Subsidies	8	39	
Social Benefits	9	1,327	
Consumption of Fixed Assets	10	2,836	
Other Expenses		<u>240</u>	
Total			<u>(21,060)</u>
Surplus			<u>7,606</u>

(9 marks)

b)

CONSOLIDATED FUND OF GHANA
STATEMENT OF FINANCIAL POSITION AS AT 31/12/2021

ASSETS	Note	GH¢'000	GH¢'000
<u>Non-Current Assets:</u>			
Property, Plant and Equipment	10	41,978.67	
Infrastructure	10	8,994	
Investment Property	10	8,868	
Financial Assets		2,327	
Work in Progress		<u>839</u>	63,006.67
<u>Current Assets:</u>			
Cash and Cash Equivalent		10,538	
Receivables	11	<u>729</u>	<u>11,267</u>
Total Assets			<u>74,273.67</u>
LIABILITIES AND FUND:			
<u>Current Liabilities:</u>			
Payable	12	6,417	
<u>Non-Current Liabilities:</u>			
Domestic Debt		15,539	
External Debt	13	<u>48,974</u>	

Total Liabilities	70,930
Petroleum Fund	1,010
Accumulated Fund	<u>2,333.67</u>
Total Liabilities and Fund	<u>74,273.67</u>

(7 marks)

c) **NOTE TO THE ACCOUNTS**

1) **Accounting policies**

Relevant accounting policies applied to the preparation of the financial statements include the following

- **Compliance with IPSAS and PFM Act.**

The financial statements have been prepared in conformity with the Financial Management Act, 2016 (Act 921), Public Financial Management Regulation 2019 L.I 2378 and the International Public Sector Accounting Standards (IPSAS).

- **Basis of accounting.**

The financial statements have been prepared on accrual basis where transactions and events are recognised as and when they occur.

- **Valuation of Assets**

Assets are measured on historical cost basis except for motor vehicle donated to the assembly which was measured and recognized at fair value.

- **Consumption of fixed assets.**

Consumption of fixed assets are charges using the straight-line basis. The estimated useful life of the assets are as follows:

Asset	Useful life
Property, Plant, and Equipment	20 years
Investment Property	40 years
Infrastructure	30 years

- **Valuation of inventory.**

Inventory of office consumable was valued at lower of cost and current replacement cost in compliance with as the inventory is held for use. This is in compliance to IPSAS 12, Inventory.

	GH¢'000		GH¢'000
2. Direct Taxes		8. Subsidies	
Taxes paid by Corporation	3,600	Fertilizer	18
Taxes paid by Individuals	<u>4,272</u>	Petroleum Products	<u>21</u>
	<u>7,872</u>		<u>39</u>
3. Indirect Taxes		9. Social Benefits	
Gen. Taxes on Goods & Services	3,200	Transfer to School Feeding	554
Tax on Export	<u>2,440</u>	Social Assistance Benefits	<u>773</u>
	<u>5,640</u>		<u>1,327</u>
4. Non-Tax Revenue		11. Receivables	
Rentals	9,608	Per Trial Balance	80

Dividends	1,396	Grants	66
Property Income	476	Advances	252
		Short Terms Loans	<u>331</u>
	<u>11,480</u>		<u>729</u>
5 a. Grant		12. Payables	
Per Trial Balance	270	Per Trial Balance	6,340
Add Grant Receivable (W5b)	66	Suppliers	<u>77</u>
Counterpart Fund	320		<u>6,417</u>
World Bank Support	18	13. External Debt	
Debt Forgiveness	<u>3,000</u>	Per Trial Balance	51,974
	<u>3,674</u>	Debt Forgiveness	<u>(3,000)</u>
			<u>48,974</u>

5 b. Grant

\$56 * GHS 6 = 337

Grant Receivable= (337-270) = 66

6. Compensation

Established Post	7,000
Non-Established Post	727
Secondment	<u>84</u>
	<u>7,811</u>

7. Goods and Services

World Bank Support	18
Repairs and Maintenance	930
Emergency Services	155
Material& Office Consum.	1,437
General Cleaning	1,479
Training &Capacity Building	800
Contract Appointment	13
Consultancy Expenses	<u>516</u>
	<u>5,348</u>

10. Fixed Assets Schedule

	Property Plant & Equipment 20 years GH¢'000	Investment Property 40 years GH¢'000	Infrastructure 20 years GH¢'000	Total GH¢'000
Cost	40,160	9,840	9,960	
Additions	5,000	-	-	
Disposal	-	-	-	
a	<u>4,5160</u>	<u>9,840</u>	<u>9,960</u>	
Less Depn:				
Bal b/d	840, + 83.33 = 923.33	600	760	
Charge for the year	<u>2,258</u>	<u>246</u>	<u>332</u>	<u>2,836</u>
b	<u>(3,181.33)</u>	<u>(846)</u>	<u>(1,092)</u>	

NBV (a - b)	<u>41,978.67</u>	<u>8,994</u>	<u>8,868</u>	
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Statement of Accumulated Fund for The Year Ended 31/12/2021

	GH¢'000
Per trial balance	(10,189)
Add Motor Vehicle	5,000
Less Accumulated Depreciation	<u>(83.33)</u>
Balance Restated	<u>(5,272.33)</u>
Add Surplus	<u>7,606</u>
Bal c/f	<u>2,333.67</u>

(Marks are evenly spread = 4 marks)

(Total: 20 marks)

Over scheme = maximum of 72 ticks @0.25 marks each = 18 marks
Accounting policies component of the note (2 policies @1 mark each) = 2 marks...20 marks

EXAMINER'S COMMENTS

Question two tested the ability of candidates to prepare a comprehensive financial statement of the Consolidated Fund in line with relevant IPSASs, laws and current Chart of Accounts of the Republic of Ghana. The question presented a Trial Balance containing 40 accounts balances as the platform for the preparation of the financial statements, which is adjudged appropriate. Further, six additional information were provided to test the candidate's ability to incorporate matters outside the Trial Balance into the financial statements. Specifically, the additional information tested the candidates in the following six matters:

- Compliance with relevant policies, standards and laws in the preparation of the financial statements.
- How to account properly for service-in kind arrangements under IPSAS 23.
- How to account for debt forgiveness resulting from debt write off by the creditors under IPSAS 23
- How to treat grant received upon fulfilment of the underlying conditions under IPSAS23.
- Computation and accounting for consumption of fixed assets in line with a given accounting policy.
- Error of recognition of prior year, requiring prior year adjustment under IPSAS 3.

The question was generally clear and tested what it purported to test. The mark allocated is consistent with the workload involved in putting together the financial statements required by the question. It is also consistent with the weight assigned to the topic in the syllabus. The examiners are encouraged to test candidates on how to disclose budget information in the financial statement under IPSAS 24. This will enable candidates to develop holistic understanding of financial reporting in the public sector.

QUESTION THREE

- a) PEFA is a tool that helps governments achieve sustainable improvements in PFM practices by providing a means to measure and monitor performance against a set of indicators across the range of important public financial management institutions, systems, and processes. The PEFA methodology draws on international standards and good practices on crucial aspects of PFM, as identified by experienced practitioners.
- PEFA incorporates a PFM performance report for the subject government that presents evidence-based indicator scores and analyzes the results based on existing evidence.
 - It emphasizes a country-led approach to performance improvement and the alignment of stakeholders around common goals.
 - PEFA reports outline the economic environment faced by the public sector, examine the nature of policy-based strategy and planning, and analyze how budget decisions are implemented.
 - PEFA assessments examine the controls used by governments to ensure that resources are obtained and used as intended.
 - PEFA provides a framework for assessment of transparency and accountability in terms of access to information, reporting and audit, and dialogue on PFM policies and actions.
 - PEFA considers the institutions, laws, regulations, and standards used by governments in the PFM process.
 - It also examines the results arising from the operation of PFM in key areas such as budget outturns, effectiveness of controls, and timeliness of reporting and audit.
 - Governments use PEFA to obtain a snapshot of their own PFM performance. PEFA offers a common basis for examining PFM performance across national and subnational governments. In addition to governments, other users of PEFA include civil society organizations and international development institutions. PEFA scores and reports allow all users of the information to gain a quick overview of the strengths and weaknesses of a country's PFM system.
 - Users can also see the implications of the overall performance results for the key goals of fiscal discipline, strategic resource allocation, and efficient service delivery. The PEFA analysis thereby contributes to dialogue on the need and priorities for PFM reform.

(Any 5 points @ 2 marks each = 10 marks)

b) **Consolidated Fund of Ghana**
Budget Performance Report for the year ended 31st December, 2022

	Annual Budget	Revised Budget	Actual	Outturn	
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	%
Revenues					
Tax revenues	312,000	312,000	270,000	(42,000)	(13.46)
Non tax revenues	39,000	39,000	26,700	(12,300)	(31.54)
Grants and Donations	<u>10,800</u>	<u>10,800</u>	<u>7,200</u>	<u>(3,600)</u>	<u>(33.33)</u>

Total revenue	<u>361,800</u>	<u>361,800</u>	<u>303,900</u>	<u>(57,900)</u>	<u>(78.33)</u>
<u>Expenditures</u>					
Compensation of employees	124,800	136,300	121,500	14,800	10.86
Goods and Services	120,700	137,700	54,000	83,700	60.78
Interest	82,100	84,600	81,000	3,600	4.26
Social benefit cost	1,800	3,100	1,500	1,800	54.55
Subsidies	1,170	1350	1,000	270	20
Grants	2,910	2,910	2,700	210	7.22
Other expenditure	<u>32,000</u>	<u>32,000</u>	<u>34,020</u>	<u>2,020</u>	<u>6.31</u>
Total expenditure	<u>365,450</u>	<u>397,960</u>	<u>297,750</u>	<u>106,400</u>	<u>163.98</u>
Net Operating result	<u>(3680)</u>	<u>(-36,160)</u>	<u>6,150</u>	<u>48,500</u>	<u>85.65</u>

(30 ticks maximum at 0.2 marks= 6 marks)

NB: no mark is allocated for the annual budget even though presented. Also, either outturn in amount of percentage is awarded marks.

ANALYSIS OF CONSOLIDATED FUND OF GHANA BUDGET PERFORMANCE REPORT

On the side of Revenue, the performance of the Government was not encouraging since they made average revenue out turn of (78.33%). A closer examination on the revenue recovered indicate that Tax revenue reduced by 13.46% over the budget. This could be as a result of not supervising the collections of the tax revenue.

The budget report shown above indicate that the total spending of the Government was below the budgeted 163.98% represented by total expenditure outturn. Again, a close examination of individual expenditure items reveals that each of them was below the budgeted spending which is good. This shows that the Government has put in place measures to reduce over spending which always bring about budget deficit.

In conclusion, the government should put measures in place that will help in revenue mobilisation since the various items under revenue yielded a negative outturn. Also, the measures put in place for curbing over spending should be continuously enforced so that spending will always be under control.

(Award 1 mark each for introduction and conclusions. 0.75 mark for any point raised to the maximum of 3 points. = 4marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Question three had two sub-questions. The first sub-question examined candidates on the usefulness of Public Expenditure and Financial Accountability (PEFA) assessment of public financial management. The question was a good one and the marks were consistent with the syllabus weight.

The second sub-question tested the ability of the candidates to prepare a budget performance report of the Consolidated Fund in consideration of supplementary

budget approved during the year, which was clear and tested what it purported to examine. The mark allocated is consistent with the syllabus weight attached to the topic. The question quality was very high.

QUESTION FOUR

a)

i) Challenges in Public Procurement which can be resolved by the use of Competitive Tendering are;

- Absence of fair dealing. Suppliers could have been treated unfairly. Most suppliers could have unfairly discriminated against. Competitive Tendering has created fair opportunity to suppliers to tender for contract.
- Lack of integrity in the procurement process. It has come to reduce corruption and collusion with suppliers or others which could have been possible without competitive Tendering
- Low transparency in the public procurement process. It has enhanced transparency in public procurement process. With the use of Competitive Tendering there is enough structures in the procurement process now, to ensure openness in the awards of contracts to suppliers.
- Lack of value for money in the award of contracts. Competitive Tendering has reduced risk of buying Goods, Works or Services at a higher price.
- Poor quality of Goods, Works, or Services acquired for Government, Competitive tendering ensure value for money in the procurement of goods, works and services than the situation where Goods, Works, or Services are acquired under single source.

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

ii) Reasons why the excessive use of Competitive Tendering can sometimes create problems in Public Procurement are as follows;

- Where goods, works or services are only available from a particular supplier or contractor, or if a particular supplier or contractor has exclusive rights in respect of the goods, works or services, and no reasonable alternative or substitute exists.
- Where there is an urgent need for the goods, works or services and engaging in tender proceedings or any other method of procurement is impractical due to unforeseeable circumstances giving rise to the urgency which is not the result of dilatory conduct on the part of the procurement entity.
- Where owing to a catastrophic event, there is an urgent need for the goods, works or technical services, making it impractical to use other methods of procurement because of the time involved in using those methods.
- Where a procurement entity which has procured goods, equipment, technology or services from a supplier or contractor, determines that additional supplies must be procured from the supplier, contractor or consultant because of standardisation or compatibility with existing goods, equipment, technology or services taking into account

(4 points @ 1 mark each = 4 marks)

b) A procurement entity may for reasons of economy and efficiency and subject to approval to the of PPA Board engage in Procurement by means of Restricted Tendering if;

- By reason of highly complex and specialized nature of goods, works and services are available only from limited number of suppliers or contractors.

- Time and cost required for examining and evaluating a large number of tenders is disproportionate to the value of the goods, works and services.
- If an offer for competitive tendering failed to receive any response after publication.

(Any 2 points @ 1 mark each = 2 marks)

c)

- i) PPP refers to any medium-to-long term relationship between the public and private sectors, involving the sharing of risks and rewards of multi-sector skills, expertise and finance to deliver desired policy outcomes. PPP is a vehicle through which public infrastructure and services can be delivered through cooperation between the government and the private businesses. It entails leveraging financial resources and other resources of the private sector to achieve the desired policy outcomes. Despite the fiscal challenges confronting government, it can proceed to execute the projects outlined in the budget statement through PPP arrangements such as build-operate-transfer, build-transfer and operate, design build and operate, and build-own-operate arrangements.

(1 mark)

ii) **Road Construction Projects.**

Road construction projects would best be achieved through Build-Transfer and Operate (BTO) arrangement. In BTO, the operator finances and acquires the asset for the provision of public service, operates it for an agreed duration to recoup its investment and transfers ownership to contracting entity. In the current instance, the government could engage private sector to finance and construct the roads and permit it to operate a road tolling system for a specified duration upon a transfer of ownership right to the government.

A variation of BOT is Build-Own-Lease-Transfer (BOLT), where the private operator is allowed to lease instead of operating it personally for the agreed period and transfer residual assets to government. In this case, the private contractor who constructed the road will be permitted to enter into an arrangement to lease the road to another party for tolling during the period of the arrangement.

In both cases, there will be no outlay of cash from government (Consolidated Fund) to the road project therefore the project will be achieved with any impact on the fiscal position of the government.

(3 marks)

Improvement in operation of ECG without losing ownership

In this case, Service Concession Arrangement is recommended. In a concession agreement, the entity transfers the right to provide services through the use of public assets to the private party. The asset may be either provided by the grantor, operator or both. The operator in turn assumes an obligation to provide such services, normally in accordance with performance requirements set by the entity. Typically, the ownership remained with the grantor whilst the operator is given

an agreed duration to recoup its investment in the asset and return the asset to the grantor. So, government may engage private investors to take over control of ECG, make the required investments and operate it for the specified period and return control to government. This approach will not exert any fiscal pressure on government since the injection of funds is a burden of the private sector.

(3 marks)

Efficient Management of University of Ghana Medical Centre (UGMC).

Since the UGMC is already constructed by government, Maintain-Operate arrangement will be the best option. Under this arrangement the operator is engaged by the contracting entity (or grantor) to offer a specific service or task such as debt collection, facility management and so on for an agreed fee or commission. Most often, Management contracts mostly involve the private operator being paid a fixed fee by the awarding authority for performing specific tasks. The remuneration does not depend on collection of tariffs and the private operator does not typically take on the risk of asset condition. It will shift the responsibility of managing UGMC to the private sector, reducing the fiscal obligations of government.

(3 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Question four was in three sub-questions. Sub-question a) focused on public procurement and examined the candidates on the importance and challenges of competitive tendering method in the public sector. It also examined the candidates on the conditions validating the use of restricted tendering in the public sector. The question was very good and the mark allocated was consistent with the syllabus weight.

Sub-question b) tested the candidates on the understanding and application of Public Private Partnership (PPP) arrangement to solve public sector problems. The candidate's knowledge of PPP was simulated through scenario building which allowed them to apply an appropriate PPP arrangement to a given situation. It is an innovative and engaging test item. The mark allocated is consistent with the syllabus weight.

QUESTION FIVE

a)

i) The following principles shall guide the formulation and implementation of Fiscal Policy objectives:

- **Sufficient revenue mobilization to finance Government programmes.** The fiscal policy should aim at improving revenue to government through increasing tax rate or broadening the tax net or both. Policy should also aim enhancing the system of tax administration in the country.
- **Maintenance of prudent and sustainable levels of public debt.** Fiscal policy should be towards effective public debt management and restraint of borrowing.
- Ensuring that the **fiscal balance is maintained at a sustainable level over the medium term.** An acceptable fiscal policy should aim at ensuring fiscal discipline by controlling government spending and raising revenues so as to achieve the fiscal balance target.
- **Management of fiscal risks in a prudent manner.** Fiscal policy is acceptable if it has the potency to mitigate fiscal risks exposure of government.
- Achieving **efficiency, effectiveness and value for money** in expenditure. Government policies should be towards achieving economy, efficiency and effectiveness in public spending and provision of public services.

(Any 3 points @ 2 marks each = 6 marks)

ii) **Assessment of fiscal policy proposal**

- **Suspension of income tax of individual and small and medium companies.**
The fiscal policy objective of a revenue policy is to ensure that sufficient revenue is available to government to undertake its projects, programmes, and activities. Suspension of income taxes of individual and SMES for the period will reduce government revenue drastically since income tax is a major source of government. The policy rationale is to appreciate Ghanaian for re-electing the government into power is weak. Thus, the policy is contrary to the requirement of the PFM Act 2016 which requires sufficient revenue mobilization for government programme.
- **Excessive domestic and external borrowing despite high debt to GDP ratio**
The guiding principle relating to debt management is to maintain prudent and sustainable levels of public debt. The policy proposal suggests that government will borrow extensively to carry out projects and programme despite the existing high level of debt. This policy will worsen the debt sustainability situation and thereby increase the fiscal risk associated with excessive borrowing. In this regard, the policy proposal undermines the provisions of the PFM Act 2016.
- **Relaxation of tight expenditure management and control measures**
This policy proposal calls for relaxation of fiscal control measure to allow for flexibility and innovations. However, the guiding principles on the formulation and implementation of fiscal policy objective requires that fiscal balance is maintained at a sustainable level over the medium term. In addition, the government is to ensure that **fiscal risks are managed in a prudent manner.** Further, achieving **efficiency, effectiveness and value for money** in expenditure

is expected. The policy proposal when implemented is likely to result in unsustainable level of fiscal balance which will pose high fiscal risk to the economy. It will also lead to lack of value for money in spending in the public sector entities.

(Any 3 points @ 2 marks each = 6 marks)

iii) Effect of policy proposal on fiscal balance and debt sustainability

Proposal (i) -Suspension of income tax

This policy has the effect of reducing government revenue from taxes and all things being equal, they will be increase in fiscal deficit. This is so because revenue has reduced and total expenditure remains the same for the fiscal year.

On the other hand, the increase in fiscal deficit will be met by increased borrowing and this will increase the debt stock of government. This may cause debt unsustainability, exposing the country to fiscal risks.

Proposal (ii)- Excessive borrowing amidst high debt to GDP ratio

This proposal will increase the debt of the country to unsustainable levels, which will be inimical to the growth of the country.

Public spending in terms of interest payment will increase resulting in weaker fiscal balance of the country. This exposes the country to fiscal risk implications.

Proposal (iii)- relaxation of controls over spending

This policy is likely to degenerate to huge budget over runs as there is no fiscal disciplinary measure to check the spending of the covered entities. The lack of fiscal discipline will have negative implication for the fiscal balance position.

The resulting fiscal deficit will be financed through borrowing which may negatively affect debt sustainability of the country.

(1 point for each proposal @ 1 mark each = 3 marks)

b) **Primary Users of public sector financial information are**

In line with the Conceptual Framework for General Public Financial Report, primary users are made of resource providers and services recipients. These includes

Users	Information needs
Taxpayers/Citizens	<ul style="list-style-type: none"> • Information is need to assess accountability of government. • Information is required to assess the cost and sustainability of public services. • Information helps in making electoral decisions about government executives.
Parliament	<ul style="list-style-type: none"> • Information to hold government accountable • To assess compliance with legally adopted budget • To monitor the performance of government. • To make approval decision on financial proposal of government.

Investors in government securities	<ul style="list-style-type: none"> • To assess the ability of government to honour coupons and principals when matured. • To assess financial condition of government in making investment decisions,
Lenders	<ul style="list-style-type: none"> • To assess financial condition of government in making lending decisions. • To determine the credit worthiness of the government.
Donors	<ul style="list-style-type: none"> • To assess accountability for donor funds • To determine the compliance with donor terms and condition.

(5 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

This question tested the Candidates' knowledge of fiscal policy and the users of financial information. The sub-question on fiscal policy presented candidates with three policy options being considered by the government and required them to evaluate the options in line with the guiding principles for fiscal policy formulation and implementation under the Public Financial Management Act 2016. The question connected to the fiscal realities confronting the country and has elicited the problem-solving abilities of the candidates. The mark allocated was consistent with the syllabus weight.

The second sub-question tested the knowledge of the candidates on the Conceptual Framework regarding the users of the financial statements. The candidates were asked to identify primary users and their information needs. The question is very basic but appropriate. The mark allocated was consistent with the syllabus weight.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The questions were standard, balanced and very clear with extensive coverage. The performance of the candidates is generally good compared with previous diet's results. The questions were sufficiently practical and real to enable candidates do their best without "chew and poor" of unfamiliar concepts and principles. In addition to the specific lapses discussed earlier, the following observations were made:

- Some candidates failed in taking their time to read the requirements of the questions well before attempting a responds to them, leading to fatal deviation. For, some candidates provided comprehensive responses on Pillars of public financial management system under PEFA assessment when the question had nothing to do with the pillars. Such candidates are susceptible to poor results.
- Time misstatement has caused about 10% candidates not to attempt all questions as required by the instruction. This made their chances of passing very blurred.

- Hasty preparation also manifested in the responses of some candidates. Some candidates seem to have done last minute preparations towards the paper and therefore could not respond to the practical nature of the question.

Recommendations

The following recommendations are put forward for consideration:

- Candidates should attend the 'Virtual Meet the Examiners programme' organised by the Institute prior to the examinations. In addition, the intervention classes also serve as a good knowledge bridge for candidates.
- The candidates should prepare very well for the paper. This means that a candidate should study the ICAG manual and work through the Question Bank on the course. It is also advised that the candidate should enroll in a Partner in Learning (PIL) for quality tuition and guidance. Candidates are advised to spend at least 6 hours a week on the subject, aside attending lecture sessions.
- Candidates should also avoid the temptation of over specialising in topic areas since the examination coverage is extremely broad. Candidates are encouraged to have fair knowledge of all topics in the syllabus.
- Time management is key in passing the examination. Candidates are encouraged to allocate the time to every question based on the mark or weight of question. For example, a 10-mark question requires 18 minutes of response time. Most often, candidates spend too much time on financial reporting question at the expense of other equally important questions.
- A special advice to those who have been exempted in all subjects in level 2 except for Public Sector Accounting and Finance (Paper 2.5), is to desist from the temptation of under rating the paper. The paper required current knowledge and practical appreciation of typical public sector financial management issues. Those candidates must equally prepare for the paper just as all other candidates do.