

**DECEMBER 2022 PROFESSIONAL EXAMINATIONS
PUBLIC SECTOR ACCOUNTING & FINANCE (PAPER 2.5)
CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME**

GENERAL COMMENTS

The questions were simple, clear, practical and unambiguous with a wide coverage of the syllabus of the examination. Unfortunately, the responses of the candidates, in general, were not encouraging. The performance of the candidate in this diet has fallen behind the past diet performance, as only 19.71% of them passed the paper as against 50.49% in the August 2022, diet.

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 questions, twelve (12) sub-questions and nine (9) sub-sub-questions, providing almost a 100% syllabus coverage. In relation to level of knowledge tested in line with reference to Bloom's Taxonomy (Armstrong, 2016), the test items were mostly application and analysis. This is consistent with the learning outcomes set out in the syllabus. The standard of the paper is comparable to the previous years.

PERFORMANCE OF CANDIDATES

The general performance of candidates was not encouraging compared to prior diet performance. This is inconsistent with the quality of the questions. The poor performance is attributable to the candidates lack of appreciation of the requirements of the question, inadequate preparation for the paper and over specialisation in specific areas of the syllabus.

NOTABLE STRENGTHS & WEAKNESSES OF CANDIDATES

Strengths of Candidates

Generally, candidates demonstrated strengths in their responses in the following topics and aspects:

- Preparation and presentation of financial statement (Question two) is the most popular topic among candidates. Almost all candidates attempted it well, except few who could not classify the items in accordance with the current chart of accounts. Nevertheless, the question also became a bait for many candidates who spent a lot of time and effort on it at the expense of other equally important questions.
- Most candidates were familiar with the qualitative characteristics of general purpose financial report and theoretically explained it well but failed to connect their responses to the financial statements given in the question.
- Most candidates also performed very well in common size statement analysis, except for few that were confused as to the basis of the computation and they wrongly applied net asset instead of total assets.

- Most candidates demonstrated good understanding of functions of the procurement structures, specifically the functions of the head of procurement entity and the entity tender committee.
- The question on public-public partnership was also well answered by candidates.

Weaknesses of Candidates

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

- Failure to understand the requirements of the question. Most candidates seem to assume the requirement of the question and ended up answering their own questions in the exams. For example, question 1 a) asked candidates to discuss the areas that a draft accounting policy should cover with justifications, which is a straightforward question. However, many candidates misunderstood the question or flexed it to match their conceived answers. Some of them were discussing the differences between accrual accounting policy and cash accounting policies or the strength of accrual accounting over cash accounting. Others were writing accounting policies as a note to the financial statement. In such cases, the candidates scored very low marks.
- Limited coverage of the syllabus. The examination syllabus covers nine major topic areas, which are all examinable. However, for whatever reasons, some candidates specialise in few of the areas, including preparation of financial statement, and therefore were not able to attempt all the question thereby minimising their chances of passing. Observably, such candidates start well in say the first two questions attempted and take a nose dive in the subsequent questions.
- Poor time management. It was noted that some candidates spent too much of time allocated to certain questions, most often the preparation of the financial statement, and therefore were unable to complete the paper within the stipulated time.
- Poor organisation of responses. Some candidate 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 their 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 required of prospective professional accountants.

QUESTION ONE

- a) You are the Assistant Accountant of a fast-growing public university, which is moving from cash basis to accrual basis of accounting. You have been put in charge of developing a draft accrual-based accounting policy for the university.

Required:

Discuss **FIVE (5)** areas that your draft accounting policy will cover, indicating why these areas are important. **(10 marks)**

- b) The Financial Statements and budget information presented below were submitted to the Finance and Administration Committee of Ghana Library Authority (GLA) on 30 April, 2022 for consideration. The Committee was concerned about the delay in submitting the financial information. They reasoned that it might not be useful for decision making.

GLA		
Statement of Financial Performance for the year ended 31 December 2020		
	Actual (GH¢'000)	Budget (GH¢'000)
Revenues		
GoG Subvention	170,500	152,050
Internally Generated Fund	58,500	93,650
Donations and grants	<u>17,000</u>	<u>12,500</u>
	<u>246,000</u>	<u>258,200</u>
Expenses		
Compensation for employees	159,200	150,000
Use of goods and services	57,000	72,500
Consumption of fixed assets	6,500	-
Interest	4,500	4,700
Other expenses	<u>-</u>	<u>3,700</u>
	<u>227,200</u>	<u>230,900</u>
Net operating result	<u>18,800</u>	<u>27,300</u>

GLA	
Statement of Financial Position as at 31 December, 2020	
	GH¢'000
Non-Current Assets	
Property, plant and equipment	600,000
Investment	<u>150,000</u>
	<u>750,000</u>
Current Assets	
Receivables	11,500
Cash and Bank	<u>105,000</u>
	<u>116,500</u>
	<u>866,500</u>
Liabilities and Funds	
Loans	450,000
Payables	53,000
Accumulated fund	<u>363,500</u>
	<u>866,500</u>

Required:

With reference to IPSAS *Conceptual Framework*, explain **FIVE (5) Qualitative Characteristics** that the above Financial Statements should have satisfied before it can be considered useful for decision making and for exercising accountability. **(10 marks)**

(Total: 20 marks)

QUESTION TWO

The following Trial Balance relates to Danke State University, a public tertiary educational institution in Ghana, as at 31 December, 2021

	GH¢'000	GH¢'000
Cash and Bank	264,810	
Program Accreditation Cost	508,950	
Examination Invigilation Cost	450,000	
Sponsorship	7,290	4,217,510
Proceeds from Sale of Textbooks		98,290
Stationery Inventory (1/1/2021)	98,290	
Textbooks Inventory (1/1/2021)	35,550	
Purchases of Stationery	261,000	
Purchases of Textbooks	152,740	
Mature Entrance Examination Fees		190,280
Graduation Cost/Fees	15,580	450,000
Fees Income		3,600,000
Resit Registration Fees		67,950
Sale of Admission Vouchers		450,110
Books and Research Allowance	135,600	
Established Post Salaries (ii)	4,452,150	
Meeting Sitting Allowance	71,000	
Employer's Contribution to Provident Fund	22,550	
Non-Established Post Salaries	1,128,240	
Exams Script Marking Cost	78,050	
Transcript Fees		24,700
Academic Facility User Fees		2,040,580
Other Facility User Fees (v)		816,010
Property, Plant and Equipment (vii)	13,770,000	1,105,400
Investment Property (vii)	2,254,500	716,800
Software (vii)	895,950	
Fees Receivables (iv)	421,230	
Loans and Advances (iii)	187,200	
Internet Broad Band Cost	5,338,270	
Other Expenses	63,900	
Bad debt provision		4,500
Bank Loans		685,000
GoG Subvention		8,646,740
Salary Related Allowances	180,560	
Examinations Moderation Cost	226,670	

Project Work Supervision Allowance	43,650	
Staff Training and Development	2,093,600	
Utility Bills (ii)	504,040	
Casual labour	250,650	
Applied Research Conference	300,000	
Interest on Loans	200,000	
13% SSF (Employer's contribution)	32,550	
Withholding Tax		81,450
Payables		164,550
Accumulated Fund		<u>11,084,700</u>
	<u>34,444,570</u>	<u>34,444,570</u>

Additional Information:

- i) It is the policy of the University to prepare Financial Statements on accrual basis 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) Utility Bills outstanding during the year amounted to GH¢15,500,000 whilst that of Established Post Salaries amounted to GH¢120,000,000. These have been omitted from the trial balance.
- iii) Loans and Advances represent Salary Loan given to some Staff of the University. These loans were granted at a concessionary interest rate of 2%. Provision is to be made for interest on Loans and Advances
- iv) The Fees Receivables represents outstanding school fees for 870 students. Out of this, 90 students were expelled from the school for poor academic performance. As a result, it is very unlikely the University would recover the amount of School Fees owed it by the expelled students. This amount constitutes 5% of Fees Receivables.
The University from experience also consider that it is very unlikely to recover all the outstanding fees and they intend to set a provision of unrecoverable debt against the remaining school fees at the rate of 7%.
- v) Included in the Other Facility User Fees is hostel fees amounting to GH¢1,050,000 paid in respect of 2022/2023 Academic year.
- vi) Inventory of Text books as at 31 December 2021 amounted to GH¢ 142,500,000 at cost and having a Net Realisable value of GH¢165,000,000, but its Replacement cost is GH¢78,000,000. In addition, stationery inventory as at 31 December,2021 amounted to GH¢17,000,000 and having a Replacement cost of GH¢18,000,000 with an estimated Net Realisable Value of GH¢25,000,000.
- vii) The University uses Straight Line method of depreciation for Non-Current Assets. Details of Non-Current Assets and their respective useful lives are stated below:

Non-Current Assets	Useful Life
Property, Plant and Machinery	20 years
Investment Property	10 years
Software	10 years

Required:

- a) Prepare a Statement of Financial Performance for Danke State University for the year ended 31 December 2021. **(8 marks)**
- b) Prepare a Statement of Financial Position for Danke State University as at 31 December, 2021. **(8 marks)**

- c) State **FOUR (4)** accounting policies applied in preparing the financial statement. **(4 marks)**

(Total: 20 marks)

QUESTION THREE

- a) An effective internal control system is a prerequisite for addressing risks and providing reasonable assurance that the assets of an organisation are safeguarded. It also contributes to the achievement of an organisation's control objectives. In line with this, the Committee of Sponsoring Organisations (COSO) of the Treadway Commission recommended five integrated internal control components to appraise internal control systems.

Required:

Explain the **FIVE (5)** components of the Integrated Framework of Internal Control System recommended by COSO. **(10 marks)**

- b) Presented below is the Statement of Financial Position of the Consolidated Fund of Ghana as at the year ended 31 December 2021 and 2020.

Consolidated Fund of Ghana				
Statement of Financial Position as at 31 December,				
	2021		2020	
	GH¢' million	GH¢' million	GH¢' million	GH¢' million
ASSETS				
Non-Current Asset				
Property, Plant and Equipment	88,191		78,220	
Financial Assets	<u>27,124</u>		<u>27,289</u>	
Total Non-Current Assets		115,315		105,509
Current Asset				
Inventory	3,207		1,903	
Cash and Cash Equivalents	<u>16,106</u>		<u>14,007</u>	
	<u>19,313</u>		<u>15,910</u>	
Current liabilities				
Payables	12,154		4,581	
Deposits and Trust Monies	<u>11,054</u>		<u>10,909</u>	
Total Current Liabilities	<u>23,208</u>	<u>(3,895)</u>	<u>15,490</u>	<u>420</u>
Net Asset		<u>111,420</u>		<u>105,929</u>
FINANCED BY:				
Accumulated Fund		20,481		19,312
Non-Current Liabilities				
Domestic Debt		45,924		44,791
External Debt		<u>45,015</u>		<u>41,826</u>
		<u>111,420</u>		<u>105,929</u>

Required:

- i) Prepare Common Size Statement of Financial Position for the year ended 31 December 2021 and 2020. (6 marks)
- ii) Based on the Common Size Statement of Financial Position prepared in i) above, write a report analysing the financial position in line with the *Recommended Practice Guide 2, Financial Statement Discussion and Analysis*. (4 marks)

(Total: 20 marks)

QUESTION FOUR

- a) For effective management of the procurement process in the public sector of the Republic of Ghana, the Public Procurement (Amendment) Act, 2016 (Act 941) has provided for specific roles of identified procurement structures.

Required:

Outline **FIVE (5)** functions each of the following identified procurement structures

- i) The Head of a Procurement Entity. (5 marks)
 - ii) Entity Tender Committee of a Municipal Assembly. (5 marks)
- b) Most often, public private partnership is over-hyped in public sector management at the expense of public-public partnership which is also another powerful tool for improving public sector services.

Required:

- i) Explain *Public-Public Partnership*. (2 marks)
- ii) Explain **FOUR (4)** advantages of *Public-Public Partnerships* over *Public-Private Partnership*. (8 marks)

(Total: 20 marks)

QUESTION FIVE

- a) Parliament has a constitutional mandate to scrutinise government spending. This oversight function is vested in the legislature as a fundamental principle of the separation of powers. There is however, the need to improve the capacity of parliament, especially the committees given the authority to keep the executive in check and to spend within the budget.

Required:

Discuss **FOUR (4)** ways by which Parliament can enhance public financial management in Ghana, bearing in mind relevant legislations. **(10 marks)**

- b) Explain the following processes or practices in public financial management in Ghana:
- i) Expenditure in advance of appropriation
 - ii) Mid-year review
 - iii) Commitment **(6 marks)**
- c) Many individuals with an interest in the performance of a public entity do not have the power to require the entity to produce customised financial or performance information. Instead, they rely on the *General-Purpose Financial Reports* that public entities provide. General purpose financial reports are designed to provide financial and, where required, performance information to a range of users. To be relevant, the information must meet the accountability and/or decision-making needs of the users.

Required:

Explain **TWO (2)** constraints on the information included in *General-Purpose Financial Reports*. **(4 marks)**

(Total: 20 marks)

SUGGESTED SOLUTION

QUESTION ONE

a) Areas to be covered by accounting policies include:

- **Basis of accounting**
The entity needs clear policy on the basis of accounting it intends to adopt for the preparation of its financial statement. This policy guides the recognition and measurement of assets, liabilities, revenues and expenses in the books of accounts.
- **Revenue recognition and measurement**
Specific policy is required for the recognition and measurement of each type revenue to the entity.
- **Inventory valuation**
The accounting policies adopted in measuring inventories, including the cost formula used.
- **Depreciation of property, plant and equipment**
The policy should detail out the depreciation methods used and the useful lives or depreciation rate to be applied.
- **Measurement of PPEs**
The measurement bases to be used for determining the gross carrying amount.
- **Foreign currency transactions**
Policies on how foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a presentation currency. The principal issues are which exchange rate(s) to use and how to report the effects of changes in exchange rates in the financial statements.
- **Provisions/allowance for uncollectible revenues.**
Policies on how to make general and special allowances on revenue receivables and other receivable.

(Any 5 points @ 2 marks each = 10 marks: 1 mark for identifying the areas requiring accounting policy and 1 mark for justifying why such policies are needed)

b) The qualitative characteristics of information included in GPFs are the attributes that make that information useful to users and support the achievement of the objectives of financial reporting. The objectives of financial reporting are to provide information useful for accountability and decision-making purposes. The qualitative characteristics of information included in GPFs of public sector entities are relevance, faithful representation, understandability, timeliness, comparability, and verifiability.

- **Relevance.**
Financial and non-financial information is relevant if it is capable of making a difference in achieving the objectives of financial reporting. Financial and non-financial information is capable of making a difference when it has confirmatory value, predictive value, or both. It may be capable of making a difference, and thus

be relevant, even if some users choose not to take advantage of it or are already aware of it.

The above financial statement contains budget for the year 2022 which could be used in comparing with the actual values for 2022, which helps in prediction for decision making purpose. Thus the financial statement seems relevant since it has confirmatory and predictive value.

- **Faithful Representation.**

To be useful in financial reporting, information must be a faithful representation of the economic and other phenomena that it purports to represent. Faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error. Information that faithfully represents an economic or other phenomenon depicts the substance of the underlying transaction, other event, activity or circumstance—which is not necessarily always the same as its legal form.

In relation to the financial statements, there is no evidence to judge the faithful representation of the financial statement.

- **Understandability.**

It is the quality of information that enables users to comprehend its meaning. GPFs of public sector entities should present information in a manner that responds to the needs and knowledge base of users, and to the nature of the information presented. Understandability is enhanced when information is classified, characterized, and presented clearly and concisely. Comparability also can enhance understandability.

However, this financial statement does not contain disclosures and necessary notes to the accounts to enable users to make meaning out of it. Thus, the financial statement cannot be said to be completely understandable.

- **Timeliness.**

Timeliness means having information available for users before it loses its capacity to be useful for accountability and decision-making purposes. Having relevant information available sooner can enhance its usefulness as input to assessments of accountability and its capacity to inform and influence decisions that need to be made. A lack of timeliness can render information less useful.

Financial statement of public sector entities is supposed to be ready by 31st March each year. However, this financial statement was presented late since it was presented at 30th April, this therefore reduces its usefulness for decision making and accountability purposes.

- **Comparability.**

It is the quality of information that enables users to identify similarities in, and differences between, two sets of phenomena. Comparability is not a quality of an

individual item of information, but rather a quality of the relationship between two or more items of information.

However, this financial had the corresponding budget information but lacked the prior year period comparatives. The financial statement is therefore comparable to a reasonable extent.

- **Verifiability.**

Verifiability is the quality of information that helps assure users that information in GPFRs faithfully represents the economic and other phenomena that it purports to represent. Whether referred to as verifiability or supportability, the characteristic implies that different knowledgeable and independent observers could reach general consensus, although not necessarily complete agreement, that either:

- ✓ The information represents the economic and other phenomena that it purports to represent without material error or bias; or
- ✓ An appropriate recognition, measurement, or representation method has been applied without material error or bias.

However, the financial statement lacked underlying notes and disclosures for verification to substantiate the values in the statement. Auditors opinion on the financial statement was absent as well. Thus verifiability of the financial statement is limited.

(Any 5 points @ 2 marks each = 10 marks - 1/2 marks for any five qualitative characteristics identifies and 1 mark for explanation and further 1/2 mark for relating the explanation to the financial statement provided)

(Total: 20 marks)

EXAMINER'S COMMENTS

The question was made up of two sub-questions. The sub-question a) required candidates to discuss five areas that an accounting policy should cover. The question was very clear, simple and relevant. Candidates seemed not to understand the content of an accounting policy and therefore deviated totally.

The b) part required candidates to explain five qualitative characteristics of a given financial statements. Most candidates attempted this question fairly well but failed to relate their responses to the given financial statements.

QUESTION TWO

a)

<u>DANKE STATE UNIVERSITY</u>			
<u>STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED</u>			
<u>31/12/2021.</u>			
<u>REVENUE:</u>	Note	GH¢'000	GH¢'000
GOG Subvention		8,646,740	
Internally Generated Fund (IGF)	2	7,740,614	
Sponsorship		<u>4,217,510</u>	
Total			20,604,864
<u>EXPENDITURE:</u>			
Compensation of Employees	3	6,322,300	
Use of goods and services	4	10,085,253	
Consumption of Fixed Assets	6	1,003,545	
Interest		200,000	
Other Expenses	5	<u>63,900</u>	
			(17,674,998)
Surplus			<u>2,929,866</u>

STATEMENT OF ACCUMULATED FUND

		GH¢'000
Per trial balance		11,084,700
Add Surplus		<u>2,929,866</u>
Bal c/d		<u>14,014,566</u>

(8 marks evenly spread using ticks)

b)

<u>DANKE STATE UNIVERSITY</u>			
<u>STATEMENT OF FINANCIAL POSITION AS AT 31/12/2021</u>			
<u>NON-CURRENT ASSETS:</u>	Note	GH¢'000	GH¢'000
Property, Plant and Equipment	6	11,976,100	
Investment Property	6	1,312,250	
Software	6	<u>806,355</u>	
			14,094,705
<u>CURRENT ASSETS:</u>			
Cash and Cash Equivalent		264,810	
Inventory	7	159,500	
Receivables	8	<u>563,101</u>	<u>987,411</u>
Total Assets			<u>15,082,116</u>
<u>LIABILITIES AND FUND:</u>			
<u>Current Liabilities:</u>			
Payable	10	382,550	

Non-Current Liabilities:

Bank Loans	<u>685,000</u>	
Total Liabilities		1,067,550
Accumulated Fund		<u>14,014,566</u>
Total Liabilities and Fund		<u>15,082,116</u>

(8 marks evenly spread using ticks)

c) Accounting policies applied in preparing the financial statements

- General Statement. The university prepares its financial statements in compliance with Public Financial Management Act 2016(Act 921) and its Regulation 2019, LI2378 and International Public Sector Accounting Standard (IPSAS)
- The University uses Accrual Accounting Basis in the preparation of its Financial Statements
- The University fees recoverable is stated at those amount only reflecting good receivables
- The University therefore made provision for unrecoverable fees income at the rate of 7%
- The University uses Straight Line basis in computing its consumption of Fixed Assets, where cost of the Fixed Assets is spread against its useful life. The basic Capita Assets and their Useful Life is provided below.

Assets	Useful Life
Property, Plant and Machinery	20 years
Investment Property	10 years
Software	10 years

- Valuation of Stock is in line with the IPSAS 12, the University values stationery at lower of cost and its replacement amount because it is held for consumption, but values its inventory of Textbook at the lower of cost and net realisable value since it is held for sale.

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

WORKINGS:**1. Internally Generated Fund**

	GH¢'000	GH¢'000
Proceeds from sale of textbook		98,290
Mature Entrance Exams Fee		190,280
Graduation Fees		450,000
Fees Income		3,600,000
Resit Examination Fees		67,950
Sales of Admission Vouchers		450,110
Transcript Fees		24,700
Academic Facility User Fees		2,040,580
Other Facility User Fees	816,010	
Less Prepayment	<u>1,050</u>	814,960
Other Income		
Interest on Staff loan (2% of 187,200)		<u>3,744</u>

7,740,614

2. Compensation of Employees

		GH¢'000
Established Post Salaries	4,452,150	
Outstanding	<u>120,000</u>	4,572,150
Employer's Contribution to Provident Fund		22,550
Non-Established Post Salaries		1,128,240
Casual Labour		250,650
13% SSF (Employer's contribution)		32,550
Salary Related Allowance		180,560
Book and Research Allowance		<u>135,600</u>
		<u>6,322,300</u>

3. Good and Services

		GH¢'000
Program Accreditation Cost		508,950
Examination Invigilation Cost		450,000
Cost of Textbooks		45,790
Cost of Stationery		342,290
Graduation Cost		15,580
Meeting Sitting Allowance		71,000
Exams Scripts Marking Cost		78,050
Internet Broadband Cost		5,338,270
Examination Moderation Cost		226,670
Project Work Supervision Allowance		43,650
Staff Training and Development		2,093,600
Utility Bills	504,040	
Outstanding	<u>15,500</u>	519,540
Applied Research Conference		300,000
Bad Debt - Expelled students		21,062
Provision for doubtful Debt		23,512
Sponsorship		<u>7,290</u>
		<u>10,085,253</u>

4. Other Expenses

		GH¢'000
Per Trial Balance		63,900
Bad Debt - Expelled students		21,062
Provision for doubtful Debt		<u>23,512</u>
		<u>108,473</u>

5. Non-Current Asset Schedule

Cost	PPM GH¢'000	Inv. Property GH¢'000	Software GH¢'000	Total GH¢'000
Opening Balance	13,770,000	2,254,500		16,024,500
Addition			895,950	895,950
	<u>13,770,000</u>	<u>2,254,500</u>	<u>895,950</u>	<u>16,920,450</u>
Accumulated Depreciation	1,105,400	716,800	-	1,822,200
Depreciation for the Year	<u>688,500</u>	<u>225,450</u>	<u>89,595</u>	<u>1,003,545</u>
	<u>1,793,900</u>	<u>942,250</u>	<u>89,595</u>	<u>2,825,745</u>
Net Carrying Amount	<u>11,976,100</u>	<u>1,312,250</u>	<u>806,355</u>	<u>14,094,705</u>

6. Inventory

	Text Books GH¢'000	Stationery GH¢'000
Opening Balance	35,550	98,290
Purchases	<u>152,740</u>	<u>261,000</u>
	188,290	359,290
Closing Stock	<u>142,500</u>	<u>17,000</u>
Cost of inventory sold/consumed	<u>45,790</u>	<u>342,290</u>

7. Receivables

	GH¢'000	GH¢'000
Staff Loans and Advances:		
Balance Per Trial Balance	187,200	
Provision for Interest (2%)	<u>3,744</u>	
Balance c/f		190,944
Fees Receivables:		
Balance Per Trial Balance	421,230	
Less Expelled Students debt (5%)	<u>21,062</u>	
	400,169	
Less Provision for bad debt (7%)	<u>28,012</u>	<u>372,157</u>
Total Receivables		<u>563,101</u>

8. Provision for Bad Debt

	GH¢'000
Balance b/f	4,500
Charge for the year	<u>23,512</u>
	<u>28,012</u>

9. Payables

	GH¢'000
Balance Per TB	164,550
Outstanding Utilities	15,500
Outstanding Salaries	120,000

Fees Prepayments	1,050
WHT	<u>81,450</u>
	<u>382,550</u>

(Total: 20 marks)

EXAMINER'S COMMENTS

Question two was on preparation and presentation of financial statement of a public tertiary educational institution. It tested Candidates' knowledge in applying accrual concepts, including revenue receivables, accrued expenses, inventory and depreciation. Most candidates were conversant with the topic. However, few of them could not classify the item according to the GOG chart of accounts.

Some struggled with the additional information relating to provision on unrecoverable school fees and inventory valuation. Some could not attempt the c) part; accounting policy disclosure, well.

QUESTION THREE

a) Integrated Framework of Internal Control System recommended by COSO

Component 1: Control Environment

The control environment describes a set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. Key areas on interest to PEFA are:

- The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organisation.
- Commitment to competence.
- The “tone at the top” (i.e. management’s philosophy and operating style)
- Organisational structure
- Human resource policies and practice

Component 2: Risk Assessment

The risk assessment forms the basis for determining how risks will be managed. A risk is defined as the possibility that an event will occur and adversely affect the achievement of organizational objectives. Key areas:

- Risk identification
- Risk assessment (significance and likelihood)
- Risk evaluation
- Risk appetite assessment
- Responses to risk (transfer, tolerance, treatment or termination)

Component 3: Control Activities

Control activities are actions (generally described in policies, procedures, and standards) that help management mitigate risks in order to ensure the achievement of objectives. Control activities may be preventive or detective in nature and may be performed at all levels of the organization. Key areas:

- Authorization and approval procedures.
- Segregation of duties (authorizing, processing, recording, reviewing)
- Controls over access to resources and records
- Verifications
- Reconciliations
- Reviews of operating performance
- Reviews of operations, processes and activities
- Supervision (assigning, reviewing and approving, guidance and training)

Component 4: Information and Communication System

Information is obtained or generated by management from both internal and external sources in order to support internal control components.

Communication based on internal and external sources is used to disseminate important information throughout and outside of the organization, as needed to respond to and support meeting requirements and expectations.

The internal communication of information throughout an organization also allows senior management to demonstrate to employees that control activities should be taken seriously

Component 5: Monitoring

Monitoring activities are periodic or ongoing evaluations to verify that each of the five components of internal control, including the controls that affect the principles within each component, are present and functioning. around their products. Key areas:

- Monitoring PFM under PEFA's assessment deals with the following:
- Ongoing monitoring
- Evaluations
- Management responses

(5 components @ 2 marks each = 10 marks: 1 mark each for identifying the components and 1 mark for explanation)

b)
i)

Consolidated Fund of Ghana				
Common Size Statement of Financial Position as at 31 December,				
		2022		2021
ASSETS	%	%	%	%
Non-Current Asset				
Property, Plant and Equipment	65.51		64.42	
Financial Assets	<u>20.15</u>		<u>22.48</u>	
Total Non-Current Assets		85.66		86.90
Current Asset				
Inventory	2.38		1.57	
Cash and Cash Equivalents	<u>11.96</u>		<u>11.53</u>	
	<u>14.34</u>		<u>13.10</u>	
Current liabilities				
Payables	9.03		3.77	
Deposits and Trust Monies	<u>8.21</u>		<u>8.99</u>	
Total Current Liabilities	<u>17.24</u>	<u>(2.9)</u>	<u>12.76</u>	<u>0.34</u>
NET ASSET		<u>82.76</u>		<u>87.24</u>
FINANCED BY:				
Accumulated Fund		15.21		15.91
Non-Current Liabilities				
Domestic Debt		34.11		36.89
External Debt		<u>33.44</u>		<u>34.44</u>
		<u>82.76</u>		<u>87.24</u>

(20 ticks @0.3 marks each = 6 marks)

ii)

Report

Analysis of The Consolidated Fund of Statement of Financial Position

INTRODUCTION

Based on the computation above, the following analysis can be drawn.

ANALYSIS AND DISCUSSION

In the case of the asset as shown with the computation above, it could be observing that PPE as well as Financial Assets are the major assets of Government in the year 2021 and 2022. These two assets represent 86.90% and 85.66% of the total Assets in 2021 and 2022 respectively. It could be seen that government investment in both assets slightly decreased in the year 2022.

Again, Government investment in inventories represents smaller proportion of the entire assets in these years.

Cash Balance in relation to total Assets of Government slightly increased from 11.53% in relation to total Assets in 2021 to 11.96% in relation to total Assets in 2022. This could mean government used portions of Bank and cash Balance in acquiring some PPE and Equity Investment in 2021 and they yielded some profits in 2022.

In the side of liabilities, Domestic and External Loans continue to represents greater proportion of Government Liabilities. It represents 71.33% and 67.55% in relation to total Assets of 2021 and 2022 respectively.

In 2022 government Public Debt decrease probably some loans matured and they were settled.

Short term payables increased from 2021 of 12.76% in relation to total Asset to 17.24% in relation to total Assets in 2022. This could imply that government did not honour greater proportion of its obligation in 2022.

CONCLUSION

In conclusion, the Consolidated Fund Statement of Financial Position appears good from 2021 to 2022 but government needs to strategize to settle the huge Public Debt it has taken in the year 2022, in order not to increase its Interest payment burden in future

(Award ½ mark for introduction and ½ for conclusions. 1 mark for any point raised to the maximum of 3 points. = 4 marks)

(Total = 20 marks)

EXAMINER'S COMMENTS

The question had two sub questions. Question 3 a) required candidates to explain five components of Integrated Framework of Internal Control System. The question seemed unpopular with candidates, and therefore many could not attempt it. Meanwhile, the topic relates to PEFA assessment tools.

Question 3 b) examined candidates on the preparation and analysis of common size statement of financial position. Some Candidates did very well whilst others could not convert the statement of financial position into common size because they wrongly used net asset instead of total asset.

QUESTION FOUR

a)

i) Functions of Head of a Procurement Entity

- The Head of a Procurement Entity is responsible to ensure that provisions of the Act are complied with.
- The Head of Entity is required to establish a Procurement Unit to undertake all activities related to procurement within the Entity in accordance with the Act and shall appoint or designate a proficient procurement person with the requisite qualifications, experience and skills as Head of the Procurement Unit to undertake the detailed activities of procurement on behalf of the Procurement Entity.
- He reviews and approval of recommendations for contract awards submitted by the Procurement Unit.
- He participates as the Chairman or a Member in decisions of a Tender Committee [or Tender Review Board as the case may be].
- He reviews of decisions on complaints submitted
- He signs contracts on behalf of the Procurement Entity.

(Any 5 points at 1 mark each = 5 marks)

ii) Functions of Entity Tender Committee of a Municipal Assembly:

General

- Ensure that at each stage of procurement activity, procedures prescribed in this Act have been followed;
- Work within the threshold limits specified in the Second Schedule and the method thresholds specified in the Fifth Schedule;
- Exercise sound judgment in making procurement decisions

Specific

- Review and approve annual procurement plans and quarterly updates of procurement plans in order to ensure that they support the policies and programmes of the Assembly;
- Confirm the range of acceptable costs of items to be procured and match these with the available funds in the approved budget of the Assembly;
- Review the schedules of procurement and specifications and ensure that the procurement procedures to be followed are in strict conformity with the provisions of this Act, the Regulations and guidelines made under this Act;
- Ensure that the necessary concurrent approval is obtained from the appropriate tender review committee where applicable, as specified in the Third Schedule;
- Facilitate contract administration and ensure compliance with reporting requirements under this Act; and
- Assist the head of entity to ensure that stores, vehicles and equipment are disposed of in compliance with this Act.

(Any 5 points at 1 mark each = 5 marks)

b)

- i) **A public-public partnership (PUP)** is simply a collaboration between two or more public authorities or non-profit organisations, based on solidarity, to improve the

capacity and effectiveness of one partner in providing public services like public water or sanitation services. PUPs are a peer relationship forged around common values and objectives, which exclude profit-seeking. Neither partner expects a commercial profit, directly or indirectly. **(2 marks)**

ii) PUPs have a number of advantages over Public Private Partnerships and some of these are:

- Mutual understanding of public sector objectives and ethos since participating parties are fully knowledgeable of the public sector environment.
- Non-commercial relationship as both entities is not profit making and therefore there will be low risk to contracting entity;
- Transparency and accountability are enhanced since there is not trade secret concerns of the parties;
- Unlimited collaboration among the public sector plays is there are several entities operating in several sectors of the economy
- Lower transaction costs particularly administrative costs since there is no profit loading.
- Possibility of reinvesting 100% of available financial resources into the public sector therefore strengthening the capacity of the sector.
- There is a possibility of long-term gain in capacity-building of public sector entities, which will improve the overall delivery of public service.
- Develops closer linkage between the government sector and non-governmental organisation in the provision of public service.

(Any 4 points @ 2 marks each = 8 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

The first aspect of the question dealt with the functions of the head of procurement entity and the entity tender committee of a Municipal Assembly. This question was well answered by most candidates as it was a straight forward question.

The second aspect examined candidates on public-public partnership. Some candidates confused public-public partnership with public-private partnership and as a result deviated. Candidates performance was average.

QUESTION FIVE

a) **Ways by which Parliament can enhance public financial management**

Parliament's primary role is to enact legislation for public financial management and to provide oversight for the conduct of public financial management. Parliament can therefore improve public financial management by:

- Ensuring that effective legislations are passed to govern the management of financial resources. Parliament has the powers to pass laws, including financial laws, and therefore must ensure that these laws are scrutinised and debated dispassionately with political predispositions. Where, the laws are weak, they must ensure prompt amendments and repeals to make the laws very effective and relevant.
- Ensuring that the existing financial legislations are complied with by the executive and managers in the public sector. Passing the law is one thing and enforcement is another thing. Therefore, Parliament should ensure that all existing laws are effectively implemented and complied with in the conduct of public financial management business.
- Conducting effective scrutiny of budget and other financial proposals of the executive to achieve public value. Under Article 175 of the Constitution, Parliament is vested with the sole authority to approve the national budget and subsequent supplementary budget and expenditure in advance appropriations. Thus, Parliament can enhance the public financial management by ensuring the appropriation bills and finance bills are meticulously scrutinised, dispassionately debated and approved on merit of public value but not political considerations.
- Ensuring close monitoring and controlling of the budget implementation through the mid-year reviews provided by the Minister of Finance. Parliament adds value to the public financial management system by following up of the budget. This may be achieved by demanding prompt delivery of mid-year reviews in accordance with the PFM Act 2016. Thereafter, the mid-year review reports should be examined critically to identify lapses in implementation and advise the Minister of Finance accordingly.
- Ensuring effective examination of public accounts by the Public Accounts Committee (PAC). Audit General is required to present the audit report on the public accounts to Parliament and the role of Parliament through PAC is to examine and investigate the cases of irregularities and ensure prompt accountability actions.
- Ensuring Effective Sanctioning regime for corruption and other financial malpractices in the public sector. Parliament should ensure that recommendations of PAC to sanction wrongdoers is implemented fully.
- Holding public officers accountable for their actions and inactions by inviting them to answer questions in Parliament. Parliament should regularly investigate cases of financial malpractices and summon the responsible officer to answer questions. This may deter executive and public officers from misusing the public resources.

(Any 4 points @ 2.5 marks each = 10 marks)

b)

i) **Expenditure in advance of appropriation**

In a year where the budget cannot take effect from the beginning of the year, the President is required to make a request to Parliament to allow spending prior to the approval of the budget in a year where the budget will not commence in the beginning of the year. The authority of the request of expenditure in advance of appropriation lapses when the budget is approved or at lapse of three months after the end of the year.

ii) **Mid-year review**

In managing the national budget, the Public Financial Management Act requires the Minister to, not later than the 31st of July of each financial year, prepare and submit to Parliament a mid-year fiscal policy review. The mid-year fiscal policy review shall include the following information:

- a brief overview of recent macroeconomic developments of Government;
- an update of macroeconomic forecasts undertaken by Government;
- an analysis of the total revenue, expenditure and financing performance for a period up to the first six months of the financial year;
- a presentation of a revised budget outlook for the unexpired term of the financial year, and the implication of the revised budget outlook for the Medium-Term Fiscal and Expenditure Framework if necessary; and
- where necessary plans for submitting a proposed supplementary budget for approval by Parliament; and an overview of the implementation of the annual budget and of the budgets of covered entities.

iii) **Commitment**

It refers to a practice where monies are reserved in the budget against expenditure decision taking by management to ensure that funds are made available to back expenditure decisions. The commitment may take the form of purchase orders, contracts for services and works and reservations. The aim is to ensure that expenditure is within the budget and that no overspending is over countered. Under the PFM Act 2016, every expenditure should be preceded by commitment and failure to commit before spending is an offense.

(2 marks each = 6 marks)

d) **Constraints on Information Included in General Purpose Financial Reports**

• **Materiality**

Information is material if its omission or misstatement could influence the discharge of accountability by the entity, or the decisions that users make on the basis of the entity's GPFs prepared for that Materiality depends on both the reporting period.

Materiality depends on both the nature and amount of the item judged in the particular circumstances of each entity. GPFs may encompass qualitative and quantitative information about service delivery achievements during the reporting period, and expectations about service delivery and financial outcomes

in the future. Consequently, it is not possible to specify a uniform quantitative threshold at which a particular type of information becomes material.

- **Cost-Benefit.**

Financial reporting imposes costs. The benefits of financial reporting should justify those costs. Assessing whether the benefits of providing information justify the related costs is often a matter of judgment, because it is often not possible to identify and/or quantify all the costs and all the benefits of information included in GPFs.

Application of the cost-benefit constraint involves assessing whether the benefits of reporting information are likely to justify the costs incurred to provide and use the information. When making this assessment, it is necessary to consider whether one or more qualitative characteristic might be sacrificed to some degree to reduce cost.

- **Balance between the Qualitative Characteristics.**

The qualitative characteristics work together to contribute to the usefulness of information. For example, neither a depiction that faithfully represents an irrelevant phenomenon, nor a depiction that unfaithfully represents a relevant phenomenon, results in useful information. Similarly, to be relevant, information must be timely and understandable.

In some cases, a balancing or trade-off between qualitative characteristics may be necessary to achieve the objectives of financial reporting. The relative importance of the qualitative characteristics in each situation is a matter of professional judgment. The aim is to achieve an appropriate balance among the characteristics in order to meet the objectives of financial reporting.

(Any 2 points @ 2 marks each = 4 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

The question was made up of three-sub questions. The a) part explored candidates' knowledge on how Parliament can enhance public financial management in Ghana. It was very practical and context relevant. Many candidates were providing street level or "radio serial caller" answers. The question required the candidate to situate their responses in the relevant legislations.

The b), tested candidates' understanding of expenditure in advance of appropriation, mid-year review, and commitment. Most candidates could not explain these basic terms in public financial management and hence performed badly.

Sub-question c) focused on candidates understanding of constraints on the information included in General Purpose Financial Reports. Candidates performance in this question was good as it was a simple and straight forward question.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The quality of the questions administered was very high, the time allocated to questions were explicit and appropriate. Nevertheless, the performance of the candidates was very low. The poor performance may be attributed to poor preparation towards the examination, poor understanding of the requirements of the question, weak time management during the examination, and over specialisation in topics.

Recommendations

The following recommendations are made:

- Candidates should devote ample time to preparation for the examination. They are encouraged to patronise the tuition services of Partners in Learning (PIL) and also use the ICAG Study Text and Question Banks on the subject as the main reading material. The candidate should spend at least 6 hours a week on the subject, aside attendance of lectures. These will equip the candidates well with requisite knowledge of the course and increase their chances of passing the paper.
- Candidates should attend the 'Virtual Meet the Examiners programme' organised by the Institute prior to the examinations. The Institute is also encouraged to provide a time table for the "meet the examiners" programme in advance so that the candidates can plan to attend. In addition, the intervention classes also serve as a good knowledge bridge for candidates.
- Candidates should also avoid the temptation of overly specialising in topic areas since the examination coverage is extremely broad. Candidates are encouraged to have fair knowledge of all topics in the syllabus, as they are equally examinable.
- Time management is key in passing examination. Candidates are encouraged to allocate time to every question based on the mark or weight of the 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). They should resist the temptation of under-rating the paper. The paper required current knowledge and practical appreciation of public sector financial management issues. They are encouraged to prepare very well for the paper irrespective of their previous background knowledge.