

**MARCH 2023 PROFESSIONAL EXAMINATIONS  
STRATEGIC CASE STUDY (PAPER 3.4)  
CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME**

**GENERAL COMMENTS AND STANDARD OF THE PAPER**

The standard of the paper was good and the questions were clear. The case study was about a Lapaz Community Hospital (LCH), a private health facility with two branches with 62 and 22 bed capacity respectively.

The case and the questions were within the scope of the syllabus except that there was no computational questions. The marks were fairly allocated to each question.

**PERFORMANCE OF CANDIDATES**

The overall performance was satisfactory. Most of the candidates performed well in question two and three. A few of the candidates performed poorly. It was obvious that they did not prepare well for the examination.

**NOTABLE STRENGTHS & WEAKNESSES OF CANDIDATES**

**Strengths**

Most of the candidates attempted all the eight questions. Some of the candidates presented their answers in a well organised manner.

**Weaknesses**

The candidates did not demonstrate good understanding of contemporary issues such as the Ghana's Domestic Debt Exchange programme. A few of the candidates appeared not to have prepared well for the paper.

## **LA PAZ COMMUNITY HOSPITAL**

The Lapaz Community Hospital (LCH) Limited was incorporated in September 2003 under the companies Act 1963 (Act 179) as a private clinic and it commenced health service delivery on 2<sup>nd</sup> May, 2004. The main facility is located at Abeka –Lapaz along the Anorhuma Street near Lapaz new market. LCH expanded from the threshold of a clinic to become a fully-fledged hospital in 2006.

On 29<sup>th</sup> November 2008, the hospital Annex Opened at Christian Village junction in response to calls and demands by residents, traditional and opinion leaders at Kisseiman and Christian Village near Achimota, and business leaders within the community.

Both branches, the Main and the Annex have grown steadily to become 62 and 22 – bed capacity facilities respectively.

### **Vision**

To strive to become the leading Private hospital in Ghana and West Africa.

### **Mission**

To provide high quality medical services to its valued customers at the least possible cost without compromising on quality.

The mission of the hospital has been designed to provide high quality medical services to its valued clients at the least possible cost without compromising on quality and this is anchored on a vision that progressively seeks to become one of the leading hospitals in Ghana.

Invariably, the vision and mission are driven by the following strategic goals;

- The application of sound managerial practice
- The deployment of competent and highly motivated workforce
- The total commitment to excellent customer care
- The utilization of efficient and reliable hospital information and communication systems
- The regular use of state-of-the-art medical technology
- To sustain a consistently well – maintained infrastructure
- And to leverage on results – oriented clinical service modules to promote a favourable hospital corporate image.

### **Strategy Statement**

The strategy consist of carefully coordinated business activities such as: application of sound managerial practices, deployment of competent and highly motivated workforce, total commitment to excellent customer care, utilisation of efficient and reliable hospital information and communication system, regular use of state-of-the-art medical technology, sustenance of consistently well-maintained infrastructure and leveraging on results-oriented clinical service modules to promote favourable hospital corporate image. The hospital is steered by a four-member Board of Directors and supported by a resilient management team.

### **Services Rendered**

The services the hospital renders include pharmaceuticals, imaging/radiography, medical laboratory, dental, optical, surgical and anaesthesia. Others are ENT, physician specialist, obstetrics/gynaecology, maternity, neo-natal paediatrics and dietary therapy. The rest are orthopaedic, physiotherapy, urology, neurology, clinical psychology, dermatology, IVF (Test Tube Babies) and emergency/ambulance services.

The branches are both equipped with modern laboratory, computerised pharmacy, modern x – ray, maternity and theatre facilities with a staff strength of 250 operating at various workstations. Indeed, the hospital offers a wide range of general and specialist services tailored to present resilient health benefits.

The hospital treats 400 cases daily on the average and attends to private individuals, subscribers of the national health insurance scheme, private health insurance schemes as well as international health insurance organisations such as Next Care, Cigna and AETNA International.

Quality has increasingly become a hallmark of the hospital and as technology is notably a catalyst aiding effectiveness and efficiency, the hospital has largely digitised operations and services and leveraged on the systems to maintain established standards. It also harnesses the expertise of qualified practitioners and leverages technology to achieve remarkable results.

The track record of the hospital has been remarkable, thereby attracting various prestigious national and international awards as testament to its outstanding performance.

Achievement awards received include; Gold Award in Medical Health Services, (October 2013); Glico Quality Healthcare Services Provider Award, (November 2015); International Quality Crown Award – London, (November 2016); Excellence Award – Ghana Medical Association, Greater Accra Division, (January 2017); West African Clinical Alliance Award (2018); Spirited African Private Clinician Award, (September 2018); International Achievement Award for Quality and Business Excellence by Association Management and Consulting – Paris, awarded in Lisbon Portugal, (February, 2019), International Star for Quality Award, Platinum Category - Geneva, (May 2019) and CIMG Private Health Facility of the year Award (2021).

## **THE LABORATORY DEPARTMENT**

The Laboratory Department of LCH is responsible for testing various samples for medical diagnosis, treatment, monitoring, management, and screening in the hospital. The department also plays a major role in the facility’s scientific and public health related issues. The laboratory department is currently made up of four (4) main testing centers namely: - The Main Laboratory at the Main Lapaz Community Hospital - Paradise Diagnostic Centre - Annex laboratory at Lapaz Community Hospital Annex - Molecular Diagnostic Center.

The Laboratory Department currently has a total number of twenty-seven (27) technical and non-technical staff led by a Medical Laboratory Consultant. The staff, distributed in the four (4) main testing centers of the laboratory as follows; - Main laboratory: three (3) Medical Laboratory Scientists, seven (7) Medical Laboratory Technicians, and four (4) non-technical staff. - Annex Laboratory: Two (2) Medical Laboratory Scientists, two (2) Medical Laboratory Technicians, and one (1) non-technical staff. - Paradise Diagnostic Centre: Three (3) Medical Laboratory Scientists, two (2) Medical Laboratory Technicians, and one (1) non-technical staff. - Molecular Diagnostic Centre: One (1) Medical Laboratory Scientist and one (1) Technician.

The Molecular Diagnostic Centre continues to offer new molecular diagnostic services such as Hepatitis C viral load, respiratory viruses, etc.

## **Training**

The Laboratory Department is well organised and requires regular training to keep the technical staff up to date on modern trends in the laboratory technician profession. Training program for the staff has been very regular. A recent training covered patient preparation, sample taking, analysis, and reporting on lipid profile.

## **Equipment**

A chemiluminescent hormonal and immunoassay analyser was acquired to improve on the quality of hormonal and immunoassay analysis. The chemiluminescent method is the latest, most reliable, and best method for immunoassays.

On the 14th of December 2022, the laboratory had a meeting for all laboratory staff at the Main Laboratory. The meeting which was chaired by the Laboratory Manager, Dr. Iddrisu Mohammed saw deliberations among staff to look at ways to improve laboratory services and also enhance the quality of work. Key among the deliberations were:

1. Issuing of patient reports – staff were mandated to continue to send patients’ laboratory reports through the HAMS system to the Doctors. This was done to improve the accuracy and precision of the lab results.
2. Turnaround time – laboratory staff were admonished to communicate efficiently and well with patients regarding the duration of their tests. Should there be a delay in a patient’s results, staff were asked to address it appropriately and in an articulated manner to the patient.
3. Continuing Professional Development - staff were also encouraged to always seek to acquire new knowledge and expand on their professional know-how. Staff were asked to read widely and take short courses to improve themselves and learn new fields in laboratory technology.
4. Customer care - staff were also asked to take customer issues more seriously and always seek to deliver the best service to all clients or users of the laboratory.
5. Communication strategies among the Laboratory Staff, the Patients, and the Doctors was also discussed.

## **GROWTH AND PROSPECTS**

To ensure steady progress and growth, LCH has given prominence to equipping the hospital with modern trends and best practices in quality health care delivery.

LCH has also committed to building the capacity of a dynamic workforce consistently, to enhance their potentials to contribute more meaningful for optimum therapeutic outcomes towards world-class patient care.

Besides, the hospital has expanded the emergency unit and provided robust modern technology to facilitate unparalleled rapid response to medical emergencies as emergency care is notably critical to the delivery of quality care. Finally, the hospital has considered rolling out a process for the creation of access to medical advisory services online as a strategic standpoint.

As a service business, customer satisfaction is key. LCH is in the process of linking their competitive strategy to their operations, to ensure that the Hospital achieve its strategic

objectives. Performance management systems have an important role, because they can show how well or how badly the LCH has performed in achieving its strategic objectives, and identify where improvements are needed.

## **BOARD MEMBERS**

### **Dr. Kingsley Neequaye Kweku Tettey**

Dr. Kingsley Neequaye Kweku Tettey is the Chairman of the 4-member board of LCH. He is a medical practitioner with over 25 years of experience in medical practice. He started his practice at the Korle Bu Teaching Hospital and then to the Ridge Hospital.

After working in the public sector for close to 7 years, he went into private practice by starting Lapaz Community Clinic in 2004, which over the years was upgraded to a hospital. He has led the hospital to receive various awards both locally and internationally. He holds a certificate in sonography. He is a product of People's Friendship University of Russia and he speaks English, Twi, Ga, Ewe and Russian languages.

Dr Kingsley Tettey is also the CEO of Paradise Diagnostic Centre and Sogakope Beach Resort in the Volta Region.

### **Dr. Joy Thelma Tettey**

Dr. Joy Thelma Tettey is the Medical Director of LCH. Dr Joy Tettey is a medical practitioner of over 26 years experience of medical practice. She started her practice at the Komfo Anokye Teaching Hospital in Kumasi, then to the Ridge hospital and later to the La General Hospital. She finally went into full private practice after 10 years in the public sector.

She undertook a course in health care administration at GIMPA in 1998. In 2016, she undertook another course in health care systems at the Galilee Institute in Israel. She holds a certificate in sonography from the department of imaging in Korle Bu.

She speaks English; Ga; Twi and Russian languages. She is a product of Kharkov Medical University, in the Ukraine.

### **Dr. Kwabena Agyekumhene**

Dr. Kwabena Agyekumhene is an accomplished marketing professional. His is a national and international asset so far as Marketing is concerned. He is an expert marketing professional with over 20 years of executive experience. Skilled at creating campaigns centered around consumer education on product use, he is also a persuasive communicator who is confident in presenting marketing objectives to corporate stakeholders and potential investors. As a passionate leader he is able to motivate teams and departmental members to collaborate around common goals.

He is confident in using research and analysis to understand how trends, competitors, consumer requirements, and seasonal market volatility will affect campaign efforts. He also has a proficient understanding of social media and its role in building brand awareness and garnering positive media publicity.

He is a fellow member of the Chartered Institute of Marketing, Ghana.

### **Dr. Kwaku Adjei Gyimah**

Dr. Kwaku Adjei Gyimah is an experienced Chartered Accountant with over 25 years professional experience. He is passionate about steering businesses in the right strategic

direction, solving problems, and implementing change along with reporting on financial performance of a company or firm, which impacts greatly on the decision-making process. He is a trusted advisor, and provide services to other businesses either as a consultant, or as a practicing partner. Auditing, taxation, accounting, financial analysis, risk management and advising on financial structures, are just some of the wide-ranging services provided by Dr. Kwaku Adjei Gyimah.

He is a fellow member of the Institute of Chartered Accountants, Ghana.

Management and Services Staff work in good harmony and they encourage each other to put up a good ethical behaviour. The clients or patients of LCH are at the centre of any policy direction from the Board. These directives are geared towards patient satisfaction and there is the belief that ethics and customer service go hand in hand. The Financial Accountant and the Internal Auditor have therefore, been designated Ethics Focal Persons (EFP) to raise awareness of good ethical behaviour.

Board members of LCH have deliberated on putting in place an organisational structure that is most effective taking into consideration their size, complexity and strategies. The preferred organisation structure should reflect the culture and scheme of work. Currently, the Medical Director with the support of the Hospital Administrator issues directives for compliance.

## **THE HEALTH SECTOR IN GHANA**

The Government of Ghana continues to expand access to healthcare coverage and the scope of benefits it makes available to its citizens. Ghana's 2021 census results report 68.6 % of the population is covered by either the National Health Insurance Scheme (NHIS) or Private Health Insurance Schemes (PHIS). There is a higher rate of health insurance coverage for females (72.6%) than males (64.5%). Health insurance coverage ranges from a low of 51.9% in the Oti Region to a high of 86.2 % in the Upper East Region. Ghana has moved away from a 'pay as you go' system, where individual health expenditures were paid in cash prior to treatment and covered entirely by patients. The NHIS now provides wide coverage for a limited scope of health issues, primarily insuring for treatment against the most prevalent diseases, such as malaria.

The healthcare sector in Ghana is organised at three different levels: national, regional, and district. Health interventions are packaged for each level and are delivered at the respective clinics and hospitals.

Healthcare is variable throughout Ghana. Urban centers are well served, and are where most hospitals, clinics, and pharmacies in the country can be found. Rural areas often have no modern healthcare services. Patients in these areas either rely on traditional African medicine or travel great distances for healthcare. Most healthcare is provided by the government and is largely administered by the Ministry of Health and the Ghana Health Services. The healthcare system has five levels of providers: 1) health posts, the first level of primary care in rural areas; 2) health centers and clinics; 3) district hospitals; 4) regional hospitals; and 5) tertiary hospitals.

Ghana spends on average about six percent of its GDP on healthcare infrastructure. The Covid 19 pandemic has exposed large gaps in the health sector, including the need to construct more district-level hospitals.

## **SUB-SECTOR BEST PROSPECTS**

Ghana has very limited local production of pharmaceuticals and even less manufacturing of medical equipment and devices. The country relies on imports for approximately 85 percent of its total healthcare consumption.

Private health facilities complement the public sector. Ghana has sought to introduce more private-sector participation in the healthcare sector. The most dynamic growth and most exciting opportunities will be found in privately funded hospitals and clinics and in the non-state-controlled portion of the pharmaceutical sector. Clients value the quality and convenience of private facilities. There is a growing middle class that prefers to use private health facilities and can afford the expense.

Below are areas of potential commercial opportunity:

- Construction of hospitals and clinics
- Diagnostic and laboratory facilities and referrals (histopathology)
- Drug procurement and pharmaceutical supplies management
- Medical equipment
- Digital hospital equipment
- ICT hospital management
- Hospital waste management
- Diagnostic imaging and digital imaging
- Advanced laboratory equipment
- Advanced life support and monitoring systems
- Emergency response and ambulance services
- Rehabilitation and physiotherapy

Other opportunities meriting further exploration:

- Commercial health insurance
- Public hospitals and clinics
- Elderly and residential care
- Occupational health and rehabilitation/physiotherapy
- Dialysis centers
- Multidisciplinary cancer treatment centers
- First aid and air ambulance services
- Diagnostic services such as X-ray, MRI, CT, advanced laboratory services including histopathology
- Services for the maintenance and repair of medical equipment
- Mortuary services/Funeral homes

## **HEALTH CARE INTERVENTION - AGENDA 111**

The objective of this project as envisioned by the President of the Republic of Ghana is to ensure that Ghanaians in every district and region in the country have access to quality healthcare services.

The proposed project will boost the provision of healthcare infrastructure in line with the government's commitment to ensuring universal health care to all citizens and attainment of United Nations' Sustainable Development Goal 3 (SDG3).

It will further be a fulfillment of the government's policy of a hospital in each district and region and improve the geographical coverage of healthcare delivery in the country, as well as

offer improved access to healthcare for all Ghanaians. In the process, the outcome will also come with a model of accelerated construction of health facilities developed for future health projects.

The scope of the Agenda 111(Hospital Infrastructure) project will cover the following deliverables:

Design, procure, construct, equip and commission 101 District Hospitals, 6 Regional Hospitals in newly created regions, 1 Regional Hospital in the Western Region, 2 Psychiatric Hospitals in Kumasi and Tamale, Rehabilitation of Effia Nkwanta Regional Hospital-Sekondi and the redevelopment of the Accra Psychiatric Hospital. All hospitals shall have a compliment of staff accommodation.

On completion, this venture will be the largest investment in healthcare infrastructure in the country since independence. Never before in the annals of this country's health infrastructure development has universal access to good and affordable healthcare been so strategically envisioned. (Source: Home - Agenda 111 (agenda111gh.com))

### **HEALTHCARE MARKET SIZE IN GHANA**

Ghana is the 8th largest economy in Africa, with an estimated GDP of \$75 billion in 2021 and a population of 30.8 million in 2021. Ghana had a healthcare market size of \$2.4 billion in 2021 with a total of 2,857 health facilities, 500 diagnostic centers and 337 ambulances, making the ambulance to population ratio 1: 84,000. Ghana had a pharmaceutical market size of \$0.44 billion in 2021 with over 1,000 pharmacies and 30 pharmaceutical manufacturing companies. There are about 12 licensed private health insurance schemes in Ghana, with 7 being private commercial health schemes. Medical devices and supplies had a market size of \$71.2 million in 2021, with consumables having the largest share of \$23.8 million. Ghana also had the following health market prospects in 2021: \$15.3 million Diagnostic Imaging, \$1.2 million Dental Products and \$0.8 million Orthopedics & Prosthetics.

The following statistics were sourced from the Ministry of Health, Fitch Solutions, The World Bank and World Health Organization: GH¢10.9 billion Healthcare budget for 2022, \$75 Healthcare spend per capital (2021), 11,079 Number of public health facilities (2022), 0.10 Doctor per 1,000 (2020), 0.58 Hospital beds per 1,000 (2020), 1.2 Nurses per 1,000 (2020).

It is estimated that health expenditure reached \$2.3 billion in 2020, representing 3.0% of GDP. Health expenditure has fallen, with a Combined Average Growth Rate (CAGR) of -3.4%, since 2015. It is estimated that per capita health expenditure reached \$61.4 in 2020. Around 58% of expenditure is met by the private sector. Private health insurance only accounts for less than 1% of private spending. Total healthcare spent in Ghana accounted for about 3.2% of Ghana's GDP in 2021. 4,254 Registered Physicians, 194 Private Hospitals, 91 Public Hospitals, 516 Surgical procedures/Year per 1,000.

### **NATIONAL HEALTH INSURANCE**

The government launched the NHIS in 2003 to focus on treatments for malaria, respiratory diseases, diarrhoea, diabetes, hypertension, and other local needs. Ghana's 2021 census results report 68.8 % of the population is covered by either the NHIS or PHIS. Public hospitals in Ghana are typically funded by the government. Additionally, religious groups play a key role



in providing medical assistance to the local population. Expatriates living in Ghana typically opt for private healthcare facilities. Private clinics and hospitals in the country often provide a higher standard of treatment and have more modern equipment than public alternatives. While the standard of facilities varies even among private hospitals in Ghana, the ones found in large expat communities are well-equipped. Waiting times are also significantly shorter at private facilities and English-speaking doctors and medical staff are available.

More than half of all services utilised by Ghanaian customers are offered by private providers, and the share of services provided by the private sector appears to be increasing. Self-Financed Private (SFP) providers account for the majority of privately offered services. Users of all types, regardless of financial level, geography, or sex, pick private providers for a significant amount of their health-care needs, roughly 50% of the time. Coverage under the NHIS appears to promote customers to use Ghana Health Services (GHS) services over privately offered care, however, this could be due to SFP providers' inadequate accreditation. Despite NHIS coverage, consumers continue to spend money out of pocket at GHS, Christian Health Association of Ghana (CHAG), and SFP providers. Because of NHIS coverage, customers are now paying nothing at all more frequently. However, the amount of out-of-pocket spending in those circumstances where it is still required has remained unchanged. SFP providers are preferred for quality services, customer service, and fast wait times; GHS providers are preferred for quality services, reasonable pricing, and doctor availability; and CHAG providers are preferred for quality services, courteous service, and doctor availability.

Urban centres are well served and are where most hospitals, clinics, and pharmacies in the country can be found. Rural areas often have no modern healthcare services. Patients in these areas either rely on traditional African medicine or travel great distances for healthcare. The CHAG and chemical dealers are concentrated in rural and urban-poor areas, whereas SFP and GHS providers are concentrated in metropolitan areas. Chemical dealers or pharmacies tend to be the largest and most accessible provider of services in rural and urban-impoverished communities, based on their number and geographic distribution. In both SFP and GHS hospitals, human resources for health are concentrated in urban areas, particularly in government hospitals. In 2020, nurses were the highest number of health personnel available in the country with a count of 66,097 whereas physicians came in second with a number of 4,254. Dentists however were the lowest with only 642 in the country.

## **COMPETITIVE FACTORS**

LCH has enjoyed competitive advantage for being the first Community Hospital in Lapaz and its environ. However, AMPC International Health Consultants, an independent consultancy firm offering a wide range of services in the healthcare sector, between 2018 and 2019, developed a business plan for the establishment of St Michael's Specialist Hospital (SMSH). This 90-bed private hospital in Lapaz, has been completed and has a potential to compete with LCH. This competitor is offering general inpatient and outpatient services as well as specialist services such as cardiac care, day surgery, haemodialysis and IVF. AMPC supported DAP Motors, the local partner, in securing Dutch export credit financing for the project and was contracted in 2020 as the turnkey contractor for the design, construction and equipping of the new hospital.

In October 2021, Ghana's President Nana Akufo-Addo attended the sod cutting ceremony at the EU55. million Obuasi trauma and accident hospital. The initiative, which is being funded by Deutsche Bank, will increase the hospital's capacity by around 100 beds and will be used to

redesign and renovate three other public hospitals in the country. This also has the potential to compete with LCH if it decides to expand to the middle belt of Ghana.

Agenda 111 Hospital Project is another potential competitor to LCH. However, due to financial constraints, it is not likely that the deadline would be met by the Government of Ghana.

Foods and Drugs Authority has also set up a Centre for Laboratory Services and Research and a Centre for Import and Export Control as part of strengthening its regulatory function to deliver improved services to support the implementation of the African Continental Free Trade (AfCFTA) regime. This is a potential competitor to LCH's bid to maximise its Laboratory services and develop it as a cash cow.

## **OTHER DEVELOPMENTS**

The Ghana National Chamber of Pharmacy (GNCP) signed a Memorandum of Understanding with construction firm LMI Holdings Ltd for the building of a pharmaceutical industrial park in Ghana's Dawa industrial zone, in line with Ghanaian government backing for a more developed pharmaceutical industry.

Atlantic Lifesciences, a pharmaceutical company, has inaugurated a large scale plant for the production of intravenous (IV) fluids, antiserums and vaccines for the West African market. The \$35 million specialised factory, with a sterile pharmaceutical plant for producing infusions, eye drops, vaccines, serums, injections and general anaesthesia drugs, was financed by the Ghana Export Import (EXIM) Bank and the Standard Chartered Bank and from the company's own resources.

The African Medicines Agency (AMA) officially began operating in November 2021, to coordinate and strengthen ongoing initiatives on the harmonisation of medical products regulation and enforce Good Manufacturing Practices (GMP). This will improve the overall registration process of new medicines for member states, by facilitating a much quicker process. The treaty for the establishment of the AMA has been ratified by 17 member states of the African Union, including Ghana.

Technical Advisor to the Board of LCH, Professor Ahumah Dake, has advised that "it is about time the Board of LCH give meaning to its vision, mission and strategic statement and venture in Telemedicine to neutralise the emerging competitive forces". He explained that Telemedicine is the exchange of medical information from one location to another using electronic communication, which improves patient health status. Telemedicine, he further explained has multiple applications and can be used for different services, which includes wireless tools, email, two-way video, smartphones, and other methods of telecommunications technology.

Dr. Kwabena Agyekumhene supported the advice from the Technical Director and has come out with healthcare marketing strategies to attract clients and patients in view of the competitive environment that LCH operates.

He reasoned that as more healthcare professionals provide accessible online services and shorten the red tape between physician-patient communications, consumers no longer feel the need to visit the closest option. Instead, they're empowered to choose a healthcare business offering a consumer experience that meets or exceeds their expectations.

In one of the board meetings, he made the following statements: “Even if you're happy with your current patient volumes, healthcare marketing can't happen without a planned medical marketing strategy to keep your healthcare brand at the forefront of people's minds. Think of all the reasons someone might decide to switch healthcare providers:

- Relocation.
- Providers are no longer accepting their healthcare insurance.
- Higher costs for the same service.
- Limited or no access to same-day appointments.
- Limited or no access to direct communication with their physician.
- Limited or no access to virtual care appointments (e.g., telehealth).
- Limited or no access to secure online appointment scheduling, bill pay, or medical records.
- Dissatisfaction with wait times.
- A negative consumer experience.
- No access to remote patient monitoring capabilities.

That’s why it’s so important to have a planned, budgeted healthcare marketing plan to reach new and returning consumers in your area at the right moment”.

#### **HEALTH SECTOR PORTER’S FIVE COMPETITIVE FORCES**

- a. The major competitors in the health sector, are Korle-Bu Teaching Hospital, 37 Military Hospital and others. They have high demand for their services, and this can be attributed to the fact that they have been operating for a long time in the country, thus they have gained goodwill and trust from their clients over the years.
- b. It is important that other smaller hospitals develop an effective strategy that differentiates their services from that of their competitors to give them a competitive advantage in the market.
- c. The market of healthcare in Ghana is not as diverse as other markets. Thus, the threat of substitutes will be based on the differentiating characteristics associated with each competitor that provides the same service.
- d. The market has been dominated by the biggest teaching hospitals in the country over the years. A patient deciding between these hospitals could be based on the price range of receiving such services, the relationship established between the service provider and that of the client and based on how long the service provider has been operating.
- e. Suppliers have very little power in the pharmaceutical industry. The raw materials for manufacturing drugs are commodity products in the chemical industry, which are available from numerous sources.
- f. Most of the equipment used in manufacturing and research is available from multiple manufacturers. Suppliers usually offer multiple products to the manufacturer, which moderates pricing on rarer materials and unique equipment.
- g. Buyers in Ghana's health-care sector have limited bargaining power. Customers may have some power due to the presence of other well-known health-care establishments. However, there is a cost associated with receiving treatment. Private hospitals would be the best alternative for higher-quality healthcare in Ghana, but they are out of reach for the typical Ghanaian.

- h. In terms of pricing, public health care facilities would be the preferred option; however, clients may choose to pay a lower price for lower-quality treatments by purchasing a Health Insurance Scheme.
- i. Since this sector is dominated by a small number of enterprises, the threat of new companies entering the market is minimal. These large corporations have been in business for a long time and are well-known in the market. The Ghanaian health sector must prioritise policies that can lower costs with a more efficient system while simultaneously maximising value for customers in order for other firms to survive and compete.

### **SITUATIONAL ANALYSIS OF THE HEALTH SECTOR**

The Government of Ghana supports the local manufacturing sector with financial incentives and the NHIS provides a basic care to majority of the population. The launch of the revised National Health Policy to provide a clear policy direction to Government in the provision of improved healthcare is another pillar of strength in the health delivery services in Ghana. Pharmaceutical manufacturing has been in place in the country for 75 years. This sector is being regulated by a well-equipped Food and Drugs Authority (FDA) to enhance drug surveillance.

Ghana is open to foreign direct investment. Investment in healthcare infrastructure, supported by international funding. Foreign Direct Investment in 2021 amounted to \$1.3 billion. Therefore, there is an investment opportunity in the health sector. Domestic drug makers are also moving towards achieving World Health Organisation (WHO) qualification and GMP certification, supported by the government's policies. Ghana's evolving demographic and epidemiological profile will provide increased revenue earning opportunities for pharmaceuticals. The Government is willing to support indigenous drug manufacturers attain WHO qualification and GMP certification.

These favourable factors have been moderated by low incomes and limited out-of-pocket spending power. The Pharmaceutical market is also dominated by sometimes high-priced branded generics from India. The country is still highly dependent on pharmaceutical imports. The healthcare sector is also underdeveloped with low per capita health expenditure. In 2021 per capita expenditure was \$75. The sector is also lacking a universal health insurance and limited expertise within the pharmaceutical sector resulting in high reliance on foreign imports. There is also no WHO nor GMP certified manufacturer. Worse of all there is either lax or no legal framework.

The sector's sustainability is impaired by the following factors; financial sustainability of the NHIS, prevalence of counterfeit drugs, mainly from abroad, which threaten to undermine sales from genuine pharmaceuticals, corruption remains a concern in all aspects of governance, recurrent bouts of currency weakness could erode consumer purchasing power and immigration quota poses a risk for businesses wanting to import skilled labour.

## **ADDITIONAL INFORMATION**

The financial statements as at 31 December 2021 reported a cash and bank balance of GH¢1,000,000. Dr. Kwaku Adjei Gyimah proposed that the free cashflow should be invested in a short to long term investment instrument. The Financial Accountant decided to invest in a 5 year Government of Ghana (GoG) Bond with a coupon rate of 20% in February 2022.

However, on 5 December 2022, the Government of Ghana launched Ghana's Domestic Debt Exchange Programme (DDEP) programme, an invitation for the voluntary exchange of approximately GH¢137 billion of the domestic notes and bonds of the Republic, including E.S.L.A. (Energy Sector Levy Act) and Daakye bonds, for a package of New Bonds to be issued by the Republic. The terms and conditions of exchange has been varied since the announcement of the debt exchange. The Ghana Association of Banks (GAB) and government reached an agreement regarding the terms of participation for banks in the DDEP. This agreement includes improvements to the DDEP, such as a 5% coupon for 2023 and a single coupon rate for each of the 12 new bonds; resulting in an effective coupon rate of 9%.

### **Consultations**

The GoG through the Bank of Ghana (BoG) started engaging ICAG because, the DDE programme would have financial reporting implications, especially the application of IFRS 9 Financial Instruments and IFRS 13 Fair Value Measurement.

Through the engagements with BoG, the Economic Management Team and the Council of State, ICAG in collaboration with the Technical Teams of the Big 4, has issued three Industry Discussion Papers and these have influenced the Government of Ghana's decision to issue new terms of agreement on the programme with the GAB, Ghana Insurers Association (GIA), Ghana Securities Industry Association (GSIA) and the Individual Bond Holders (IBH).

### **Potential Impacts on Debt Exchange on Financial Sector**

Stress tests have been conducted by the relevant financial sector regulators to estimate the potential impact of the Debt Exchange for banks, specialised deposit-taking institutions (SDIs), insurance firms, asset managers, collective investment schemes, pension fund trustees, and regulated pension schemes, that could result from their participation in the debt exchange.

To help manage the potential impacts of the Debt Exchange on the financial sector, financial sector regulators have been asked to deploy all regulatory and supervisory tools to mitigate risks to financial stability. To support and encourage full participation of financial institutions in the voluntary debt exchange, among others, the following measures have been put forward by the Government of Ghana through the BoG:

1. The Financial Stability Council was established in December 2018 by Executive Instrument, to identify and evaluate the threats, vulnerabilities, and risks to the stability of the financial sector.
2. The Regulators in the banking and insurance industries have already exercised regulatory forbearance by temporarily reducing regulatory capital and liquidity requirements for regulated firms and schemes that voluntarily participate in the debt operation. They have also suspended or delayed key rules that will have an adverse impact on liquidity or solvency.

## QUESTION ONE

- a) At LCH, the Financial Accountant and the Internal Auditor have been designated as Ethics Focal Persons (EFP) to raise awareness of good ethical behaviour among the staff.

**Required:**

As a student of ethics, explain **FIVE (5)** reasons why good ethical behavior (study and application of ethics) is important to today's Accountant. **(5 marks)**

- b) The general public has high expectation of the accountancy profession and the idea of an ethical profession should be reinforced in their minds.

**Required:**

State **THREE (3)** reasons why the general public has high expectations of the accountancy profession to ensure good corporate governance practices. **(5 marks)**

## QUESTION TWO

According to the Technical Advisor of the Board of Directors, Telemedicine, the remote diagnosis and treatment of patients by means of telecommunications technology is the way to go. This proposal has been subjected to a basic marketing feasibility analysis.

**Required:**

Using *4Ps of the marketing mix* and the competitive environment that LCH operates, explain the factors to be taken into consideration when deciding on whether to adopt the proposal to move into Telemedicine. **(10 marks)**

## QUESTION THREE

LCH is facing very stiff competition from both public and private health facilities. You have suggested that LCH consider either acquisition or mergers or both as a strategic move to survive in the industry.

**Required:**

- a) Discuss **FIVE (5)** advantages and **FIVE (5)** disadvantages of a decision to consider acquisition and merger as a survival strategy. **(10 marks)**
- b) Using *SWOT analysis* identify and discuss key factors that might affect LCH's business strategy. **(10 marks)**

#### QUESTION FOUR

An appropriate organisational structure should reflect the size and complexity of an entity.

**Required:**

Using the management study of Burns and Stalker that identified two categories of organisation structure, a mechanistic structure and an organic structure, explain the differences between the two types of structure and determine which of the two is suitable for LCH. **(10 marks)**

#### QUESTION FIVE

Fitzgerald and Moon (1996) provided a framework for analysing performance management systems in service industries like a hospital. They suggested that a performance management system in a service organisation can be analysed as a combination of three building blocks namely:

- i) Dimensions
- ii) Standards and
- iii) Rewards.

**Required:**

Using *Dimensions* as a tool for performance measurement, discuss how LCH could link performance assessment to corporate strategy. **(10 marks)**

#### QUESTION SIX

LCH has invested GH¢1,000,000 in a 5 year Government of Ghana Bond with a coupon rate of 20%. As a result of the Government of Ghana DDE programme, LCH has no option but to exchange the old bond with the new bond.

**Required:**

- a) Explain **FIVE (5)** financial reporting implications of the debt exchange on the financial statements of LCH as at 31 December 2022. **(10 marks)**
- b) Discuss **FOUR (4)** advantages and **TWO (2)** main disadvantages of investing in bonds rather than shares. **(10 marks)**

## QUESTION SEVEN

- a) LCH's Board of Directors is composed of four experienced professionals.

**Required:**

In reference to codes of corporate governance and the composition of LCH's Board, analyse the view that the board has a suitable balance. **(5 marks)**

- b) The OECD Principles (2015) provide guidance through recommendations and annotations across six chapters. Principle 5 and 6 deals with disclosure and transparency and the responsibilities of the board respectively.

**Required:**

Provide the guidance and recommendations given on these principles and how relevant it is to LCH. **(7 marks)**

## QUESTION EIGHT

Dr. Kingsley Tettey is the Chairman of the 4-member board of directors and Dr Joy Tettey is the Medical Director. Clearly the Chairman is not the Chief Executive Office or Medical Director of LCH.

**Required:**

Discuss what the Ghana Code of Best Practices and the UK Corporate Governance Code state about this governance structure. **(8 marks)**

**(Total: 100 marks)**



## SUGGESTED SOLUTION

### QUESTION ONE

- a) The study of ethics is important to today's accountants due to the following:
- Accountants must abide by professional codes of ethics due to membership of a professional accountancy body. ICAG as a member of the International Federation of Accountants (IFAC), has adopted the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants. This standard applies to all professional accountants, whether in public practice, in business, education, or the public sector. The IESBA Code serves as the foundation for codes of ethics developed and enforced by members of the IFAC.
  - It is in the public interest that members of the public have confidence in the accountancy profession. This is necessary to help facilitate commerce and industry, promote growth and prosperity and to help sustain a reliable and trustworthy economic mechanism.
  - Accountants must continue to be seen as ethical and independent for their opinion to be valued both within audit and advisory roles.
  - The study of ethics will help promote consistency in the ethical values and principles that can be expected of accountants.
  - Adherence to professional codes of ethics remains ever critical in protecting the reputation of the accountancy profession in light of the recent corporate scandals (such as Banking Sector clean up exercise) and the global financial crisis.
- (5 points @ 1 mark each = 5 marks)**

- b) The general public has high expectations of the accountancy profession because of the following:
- Many non-accountants do not have much understanding of accounting issues, but they rely on accountants to ensure that financial reporting is reliable and 'fair', and that management is not 'cheating' by presenting misleading and inaccurate figures in their accounts.
  - Auditors are also seen, by many members of the public (rightly or wrongly), as a safeguard against fraud.
  - The public continues to believe that the accountancy profession is an ethical profession that offers some protection to society against the 'excesses' of capitalism. The public confidence in the report of the Auditor General is an example.
- (3 points @ 1.67 mark each = 5 marks)**

### EXAMINER'S COMMENTS

This question was in two parts. The first part required the candidates to explain five (5) reasons why good ethical behaviour (study and application of ethics) is important to today's Accountant.

In the second part the candidates were to state three (3) reasons why the general public has high expectations of the accountancy profession to ensure good corporate governance practices.

The candidates performed well in both questions with majority of them scoring above average marks.

## QUESTION TWO

**Promotion strategy:** Promotion is concerned with making the customer conscious of a service and wanting to buy it. There are several different aspects to promotion:

- LCH could use advertising through several different media, such as television, radio, magazines, newspapers, and billboards.
- Brochures are another form of advertising. Brochures and advertising messages might be delivered to consumers by electronic means to advertise the Telemedicine service.
- Search engine providers such as Google or Yahoo! Could also be of help.
- Sales promotions are activities other than advertising that are designed to prompt customers into buying a service. Some aspects of price marketing (for example, introduce a patient and have medical care for free) are also sales promotions.
- LCH could use telephone selling, rather than face-to-face selling by sales representatives.
- LCH could use sponsorship to increase public awareness of Telemedicine, and also to improve their general image. LCH could sponsor television programmes to ensure that their name appears on television at the same time as a popular television programme that large numbers of viewers will be watching.
- Public relations. Public relations is concerned with attracting favourable media attention to an entity and its products.

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

**Product Strategy:** Telemedicine as a product refers to the exchange of medical information from one location to another using electronic communication, which improves patient health status.

- Telemedicine, has multiple applications and can be used for different services, which includes wireless tools, email, two-way video, smartphones, and other methods of telecommunications technology.
- Healthcare accessible online shorten the red tape between physician-patient communications, consumers no longer feel the need to visit the closest option. Instead, they're empowered to choose a healthcare business offering a consumer experience that meets or exceeds their expectations.
- The quality of service might depend partly on the technical skills and interpersonal skills of LCH staff. With the link between ethical behaviour and customer service, that should be the basis to introduce telemedicine as a new service line.

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

**Price Strategy:** Telemedicine as a product could be priced lower than the traditional in person patient care depending on the volume of patronage. Also, higher cost for the same service in person may ward off patients.

- Patients expect value for money. Pricing is therefore an important element of the marketing mix. In most cases, if the price is too high, patients will not want to patronise the service. Corporate clients might be attracted by good credit terms and discounts.
- If Telemedicine is not so popular in the health sector, LCH can choose either of the following pricing strategies: (i) To set a 'market penetration price' for the product. This is a low price (or fairly low price). The aim of penetration pricing is to build customer demand quickly by offering an attractive price, so that sales volume is high and the company 'penetrates the market' and wins a large share of the potential market.
- (ii) To set a 'market skimming price'. This is a high price (or fairly high price). The aim of market skimming is to maximise the gross profit per unit sold. Gradually, the price will be reduced, and market demand will rise slowly as the price falls. Early customers for a product will often be willing to pay a high price simply because it is 'new' and 'different'. Much of the product's value for the early customers comes from its uniqueness and the fact that most other people do not have a similar product.

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

#### **Place**

- This refers to the way in which the patient obtains the service, or the 'channel of contact'. This is mainly through the internet. LCH may capture clients beyond the community it currently serves.
- A 'place strategy' might be used to gain a foothold in a market. Through a place strategy LCH's services could be patronised across the globe.

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

#### **COMPETITIVE ENVIRONMENT**

- The major competitors in the health sector, are Korle-Bu Teaching Hospital, 37 Military Hospital and others. They have high demand for their services, and this can be attributed to the fact that they have been operating for a long time in the country, thus they have gained goodwill and trust from their clients over the years.
- It is therefore, important that LCH develop an effective strategy that differentiates their services from that of their competitors to give them a competitive advantage in the market. Telemedicine is one of such services.
- The market has been dominated by the biggest teaching hospitals in the country over the years. A patient deciding between these hospitals could be based on the price range of receiving such services, the relationship established between the service provider and that of the client and based on how long the service provider has been operating.

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

## EXAMINER'S COMMENTS

The candidates were required to use 4Ps of the marketing mix and the competitive environment that the hospital in the case operates, explain the factors to be taken into consideration when deciding on whether to adopt the proposal to move into Telemedicine.

Most of the candidates did well in this question. They were able to identify the 4Ps of the marketing mix as products, price, place and promotion and apply it accordingly to the hospital.

## QUESTION THREE

a) An entity can grow quickly by means of mergers or acquisitions. Both mergers and acquisitions involve the creation of a single entity from two separate entities.

With a merger, the two entities that come together are approximately the same size.

With an acquisition, one entity is usually larger than the other and acquires ownership (control) by purchasing a majority of the equity shares.

### **Advantages of acquisitions and mergers:**

Acquisitions and mergers have several advantages as a strategy for growth, compared with a strategy of internal development.

- Growth by acquisition or merger is much faster than growth through internal development.
- An acquisition can give the buyer immediate ownership of new products, new markets and new customers, that would be difficult to obtain through internal development.
- An acquisition enables an entity to enter new market where the barriers to entry are high, so that it would be very difficult to set up a new business in competition.
- An acquisition prevents a competitor from making the acquisition instead.
- It might result in cost savings and higher profits ('synergy').

### **Disadvantages of acquisitions and mergers**

- An acquisition might be expensive. The bid price has to be high enough to make the shareholders of the target company willing to sell their shares. The return on investment for the entity making the acquisition might therefore be very low.
- A merger or acquisition can result in a loss of proportional ownership of the entity. For example, if two entities with an equal total value are merged together, a shareholder who held say 10% of one of the companies before the merger might only own 5% of the merged company. (The actual change in proportional ownership will depend on the structure of the merger or acquisition, and how it is financed.)
- The two entities will have different organisation structures, different management styles, different cultures, different systems of salaries and wages. Bringing them together into a single entity will be extremely difficult. Naturally, many employees

will feel threatened, as often takeovers are followed by the company seeking cost efficiencies (including redundancies). Many good employees could leave. Generally, the period of disruption following a takeover or merger will last around a year.

- When individuals from different 'cultures' are brought together into a single organisation, there will probably be a 'clash of cultures', and it may be difficult for individuals from the different cultures to work together easily. They will have a different outlook on business, and will have different ideas about the way that work should get done. The problems of a clash of cultures are particularly severe when companies merge, or when one company takes over another. There have been several well-publicised examples of a clash of cultures in the banking industry, when a commercial bank (a traditional 'lending bank') merges with an investment bank.

**(5 points each @ 1 mark each = 10 marks)**

- b) The business strategy of LCH includes its organizational (Corporate) Strategy, Competitive Strategy, Functional Strategy and Operating Strategy. The key factors that might affect LCH's business strategy are:

### **Strength**

- The hospital renders a broad range of medical services that include pharmaceuticals, imaging/radiography, medical laboratory, dental, optical, surgical and anaesthesia. Others are ENT, physician specialist, obstetrics/gynaecology, maternity, neo-natal paediatrics and dietary therapy. The rest are orthopaedic, physiotherapy, urology, neurology, clinical psychology, dermatology, IVF (Test Tube Babies) and emergency/ambulance services. These are wide range of services rendered. Almost a one stop shop.
- The branches are both equipped with modern laboratory, computerised pharmacy, modern x - ray, maternity and theatre facilities with a staff strength of 250 operating at various workstations. Indeed, the hospital offers a wide range of general and specialist services tailored to present resilient health benefits.
- The hospital treats 400 cases daily on the average and attends to private individuals, subscribers of the national health insurance scheme, private health insurance schemes as well as international health insurance organisations such as Next Care, Cigna and AETNA International. Quality has increasingly become a hallmark of the hospital and as technology is notably a catalyst aiding effectiveness and efficiency, the hospital has largely digitised operations and services and leveraged on the systems to maintain established standards. It also harnesses the expertise of qualified practitioners and leverages technology to achieve remarkable results. The track record of the hospital has been remarkable, thereby attracting various prestigious national and international awards as testament to its outstanding performance.
- The Laboratory Unit is well equipped with modern equipment and skilled staff. The Laboratory Department is well organised and requires regular training to keep the technical staff up to date on modern trends in the laboratory technician profession. Training program for the staff has been very regular. A recent training

covered patient preparation, sample taking, analysis, and reporting on lipid profile.

- A chemiluminescent hormonal and immunoassay analyser was acquired to improve on the quality of hormonal and immunoassay analysis. The chemiluminescent method is the latest, most reliable, and best method for immunoassays.
- Qualified and competent health care staff.

### **Weaknesses**

On the 14th of December 2022, the laboratory had a meeting for all laboratory staff at the Main Laboratory. The meeting which was chaired by the Laboratory Manager, Dr. Iddrisu Mohammed saw deliberations among staff to look at ways to **improve laboratory services** and also enhance the quality of work. Key among the deliberations were:

- Delays issuing of patient reports – staff were mandated to continue to send patients’ laboratory reports through the HAMS system to the Doctors. This was done to improve the accuracy and precision of the lab results.
- Turnaround time – laboratory staff were admonished to communicate efficiently and well with patients regarding the duration of their tests. Should there be a delay in a patient’s results, staff were asked to address it appropriately and in an articulated manner to the patient.
- Continuing Professional Development - staff were also encouraged to always seek to acquire new knowledge and expand on their professional know-how. Staff were asked to read widely and take short courses to improve themselves and learn new fields in laboratory technology.
- Customer care - staff were also asked to take customer issues more seriously and always seek to deliver the best service to all clients or users of the laboratory.
- Communication strategies among the Laboratory Staff, the Patients, and the Doctors was also discussed.
- Ineffective organisational structure.

### **Opportunities**

- Ghana is open to foreign direct investment. Investment in healthcare infrastructure, supported by international funding. Foreign Direct Investment in 2021 amounted to \$1.3 billion. Therefore, there is an investment opportunity in the health sector. Domestic drug makers are also moving towards achieving World Health Organisation (WHO) qualification and GMP certification, supported by the government's policies. Ghana's evolving demographic and epidemiological profile will provide increased revenue earning opportunities for pharmaceuticals. The Government is willing to support indigenous drug manufacturers attain WHO qualification and GMP certification.
- More than half of all services utilised by Ghanaian customers are offered by private providers, and the share of services provided by the private sector appears to be increasing. SFP (Self-Financed Private) providers account for the majority of privately offered services. Users of all types, regardless of financial level,

geography, or sex, choose private providers for a significant amount of their health-care needs, roughly 50% of the time.

- Coverage under the NHIS appears to promote customers to use GHS (Ghana Health Services) services over privately offered care, however, this could be due to SFP providers' inadequate accreditation. Despite NHIS coverage, consumers continue to spend money out of pocket at GHS, CHAG (Christian Health Association of Ghana), and SFP providers. Because of NHIS coverage, customers are now paying nothing at all more frequently. However, the amount of out-of-pocket spending in those circumstances where it is still required has remained unchanged. SFP providers are preferred for quality services, customer service, and fast wait times; GHS providers are preferred for quality services, reasonable pricing, and doctor availability; and CHAG providers are preferred for quality services, courteous service, and doctor availability

### **Threats**

- Favourable factors have been moderated by low incomes and limited out-of-pocket spending power. The Pharmaceutical market is also dominated by sometimes high-priced branded generics from India. The country is still highly dependent on pharmaceutical imports. The healthcare sector is also underdeveloped with low per capita health expenditure. In 2021 per capita expenditure was \$75. The sector is also lacking a universal health insurance and limited expertise within the pharmaceutical sector resulting in high reliance on foreign imports. There is also no WHO nor GMP certified manufacturer. Worse of all there is either lax or no legal framework.
- The sector's sustainability is impaired by the following factors; financial sustainability of the NHIS, prevalence of counterfeit drugs, mainly from abroad, which threaten to undermine sales from genuine pharmaceuticals, corruption remains a concern in all aspects of governance, recurrent bouts of currency weakness could erode consumer purchasing power and immigration quota poses a risk for businesses wanting to import skilled labour.
- The major competitors in the health sector, are Korle-Bu Teaching Hospital, 37 Military Hospital and others. They have high demand for their services, and this can be attributed to the fact that they have been operating for a long time in the country, thus they have gained goodwill and trust from their clients over the years.
- The market of healthcare in Ghana is not as diverse as other markets. Thus, the threat of substitutes will be based on the differentiating characteristics associated with each competitor that provides the same service.
- AMPC International Health Consultants, an independent consultancy firm offering a wide range of services in the healthcare sector, between 2018 and 2019, developed a business plan for the establishment of St Michael's Specialist Hospital (SMSH). This 90-bed private hospital in Lapaz, has been completed and has a potential to compete with LCH. This competitor is offering general inpatient and outpatient services as well as specialist services such as cardiac care, day surgery, haemodialysis and IVF. AMPC supported DAP Motors, the local partner, in securing Dutch export credit financing for the project and was contracted in 2020

as the turnkey contractor for the design, construction and equipping of the new hospital.

- Agenda 111 Hospital Project is another potential competitor to LCH. However, due to financial constraints, it is not likely that the deadline would be met by the Government of Ghana.
- Foods and Drugs Authority has also set up a Centre for Laboratory Services and Research and a Centre for Import and Export Control as part of strengthening its regulatory function to deliver improved services to support the implementation of the African Continental Free Trade (AfCFTA) regime. This is a potential competitor to LCH's bid to maximise its Laboratory services and develop it as a cash cow.

**(3 points on each SWOT should attract 2.5 marks =10 marks)**

### EXAMINER'S COMMENTS

This question was in two parts. The first part required the candidates to discuss five (5) advantages and five (5) disadvantages of a decision to consider in acquisition and merger as a survival strategy.

The second required the candidates to use SWOT analysis identify and discuss key factors that might affect Lapaz Community Hospital's business strategy.

Most of the candidates did very well especially in the second part of the question.

### QUESTION FOUR

Contingency theory of organisation structure is that the most effective organisation structure for an entity depends on the circumstances. An entity should use the organisation structure that is best suited to its size, complexity and strategies. Organisation structure will vary according to differences in organisational processes and internal and external relationships.

An example of contingency theory is the management study of Burns and Stalker. They identified two categories of organisation structure, a mechanistic structure and an organic structure. The differences between the two types of structure are set out below.

<b>Mechanistic organisation</b>	<b>Organic organisation</b>
Authority is delegated through a hierarchical management structure. Power over decision-making is obtained from a person's position in the management hierarchy.	There is a network structure of control. Individuals influence decisions on the basis of their knowledge and skills, regardless of their position in the organisation.
A bureaucracy.	Control is cultural, not bureaucratic.



Communication is vertical, up and down the chain of command.	There is much more horizontal communication and free-flow of information.
Jobs are specialised, and individuals concentrate on their specialist area. Doing the job is the main priority.	Specialist knowledge and expertise are shared, and contribute to the 'common task' of the entity. Contributing to the common task is the main priority.
Job descriptions are precise.	Job descriptions are less precise.
Tasks and operations are governed by instructions from a superior manager	Communications consist of information and advice, rather than decisions and instructions from a manager.

Burns and Stalker found from their research that one type of organisation is not necessarily better than the other. However, they did find that:

- An organic structure is better-suited to an entity that needs to be responsive to change in its products and markets, and in its environment
- A mechanistic structure is better suited to an entity in a stable environment, where change is gradual.

Burns and Stalker also found that entities with an organisation structure better suited to their environment perform better than entities whose structure is not well suited to their environment.

For example, an entity with a mechanistic structure performs better in a stable market than an entity with an organic structure.

(8 marks)

Typically, hospitals are set up with a **hierarchical and divisional structure**. This structure means various levels of staff—ranging from high-to lower-level positions—are responsible for others within their respective divisions. A Hospital is a Mechanistic Organization. The nature of the tasks performed and the way they are distributed clearly puts them in this class.

(2 marks)

### EXAMINER'S COMMENTS

The candidates were required to use Burns and Stalker's study to identify features of mechanistic structure and organic structure and to determine which of the two is suitable for LCH.

Most of the candidates were able to identify the features of both mechanistic structure and organic structure.

## QUESTION FIVE

Dimensions of performance are the aspects of performance that are measured. Fitzgerald and Moon (1996) concluded that there are six dimensions of performance measurement that link performance to corporate strategy. These are: 1. profit (financial performance) 2. competitiveness 3. quality 4. resource utilisation 5. innovation. Flexibility has no performance measure.

The corporate strategy of LCH consist of carefully coordinated business activities such as: application of sound managerial practice, deployment of competent and highly motivated workforce, total commitment to excellent customer care, utilization of efficient and reliable hospital information and communication system, regular use of state-of-the-art medical technology, sustenance of consistently well-maintained infrastructure and leveraging on results-oriented clinical service modules to promote favourable hospital corporate image.

**Profit (Financial Performance):** Profitability, growth in patient care and patronage and profit margins are an essential measure of success of LCH's corporate strategy. A chemiluminescent hormonal and immunoassay analyser was acquired to improve on the quality of hormonal and immunoassay analysis. LCH has other modern equipments employed for its services. A return on capital employed is possibly very relevant.

**Competitiveness:** Ghana had a healthcare market size of US\$2.4b in 2021 with a total of 2,857 health facilities, 500 diagnostic centre. The revenue of LCH will determine the market size it enjoys. LCH has enjoyed competitive advantage for being the first Community Hospital in Lapaz and its environ. However, AMPC International Health Consultants, Agenda 111 and FDA diagnostic centre are emerging competitors. With a carefully coordinated business activities, LCH could survive the competition.

**Service quality:** Quality has increasingly become a hallmark of the LCH and as technology is notably a catalyst aiding effectiveness and efficiency, the LCH has largely digitized operations and services and leveraged on the systems to maintain established standards. It also harnesses the expertise of qualified practitioners and leverages technology to achieve remarkable results.

The track record of the LCH has been remarkable, thereby attracting various prestigious national and international awards as testament to its outstanding performance. This is in line with its corporate strategy, that is, total commitment to excellent customer care.

**Resource Utilisation:** Quality has served as a catalyst in aiding effectiveness and efficiency at LCH. The hospital has largely digitized operations and services and leveraged on the systems to maintain established standards of efficiency. It also harnesses the expertise of qualified practitioners and leverages technology to achieve remarkable results.

**Innovation:** The Molecular Diagnostic Centre at LCH continues to offer new molecular diagnostic services such as Hepatitis C viral load, respiratory viruses, etc. This is an innovation and staff were also encouraged to always seek to acquire new knowledge and expand on their professional know-how. Staff were asked to read widely and take short courses to improve themselves and learn new fields in laboratory technology. This is also commitment to innovation.

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

### **EXAMINER'S COMMENTS**

This question was on Fitzgerald and Moon (1996) framework for analysis performance management systems in service industries. The candidates were asked to use dimensions as one of the building blocks as a tool for performance measurement.

A good number of the candidates attempted this question but the performance was very poor.

### **QUESTION SIX**

#### **a) Financial Reporting Implications**

- Existing qualifying bonds not exchanged under the programme would be accounted for as credit impaired and categorised as a stage 3 exposure for the purposes of ECL assessment. It is unlikely that expected cashflows from these old bonds will exceed the cashflows under the terms of the new bonds announced by government under the GDDE programme. The old bonds would not be immediately tradeable.
- Where the invitation to exchange under the programme is accepted, new contracts will be established between the issuer (GoG) and corporate holders of these eligible bonds. The new terms result in a significant modification for which reason the existing bonds need to be derecognised and a new financial asset recognised in respect of the new bonds. This is if the exchange happens before the end of the reporting period
- The amounts accrued in relation to interests on the old bonds which will be forfeited should be written off and recognised in profit or loss.
- Holders of these bonds are required to measure ECL to the date of derecognition to determine the carrying amount at the date of derecognition.
- The difference between the carrying value of the old bonds at the date of derecognition and the fair value of the new bonds would be recognised as derecognition gain/loss in profit or loss.
- Fair values of the new bonds would be determined by discounting the contractual cash flows of the new bond using a yield to maturity calculated from the market yields of the old bonds at the date of measurement.
- The new bonds would be carried as originated credit impaired. On initial recognition, originated credit-impaired assets do not carry an impairment

allowance. Instead, lifetime ECLs are incorporated into the calculation of the effective interest rate. This requires banks to determine the cash shortfalls or the expected cash flows under the new terms in calculating the effective interest rate of the new bonds at initial recognition. No impairment expense or allowance is recognised subsequently if expected cash flows are unchanged from expectations on initial recognition. Favourable changes in lifetime ECLs are recognised as an impairment gain.

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

**b) Advantages of investing in bonds rather than shares**

There are significant advantages for an investor to lend money (by purchasing bonds) rather than to invest in equity. Lending is considered safer than investing in equity:

- The loan is usually redeemable, so that the capital will be returned.
- The interest has to be paid by the company, irrespective of how well or badly it has performed.
- The debt might be legally secured on assets of the company – the debt holder can force the company to sell the assets on which the loan is secured if the company defaults. However, most bonds are unsecured.
- Debt ranks higher than equity in a winding up of a company and the liquidation of its assets. Lenders therefore have more chance of getting their investment returned, compared to the equity holders.

**Main disadvantages of investing in bonds rather than shares**

The main disadvantage of debt finance compared with equity finance for the investor is that:

- The returns from investing in debt bonds are fairly predictable. The interest rate is fixed. There might be some increase or decrease in the market value of bonds, if market yields on bonds change: however, the size of any such capital gain or loss is usually fairly small.
- In contrast, with equity investments, shareholders benefit when the company is successful. Dividends will probably rise in the company's annual profits growth, and there could also be substantial capital gains from increases in the share price.

**(6 points @ 1.667 marks each = 10 marks)**

**EXAMINER'S COMMENTS**

This question was not popular. Most of the candidates who attempted it performed poorly.

## QUESTION SEVEN

- a) Definition of a suitable board balance according to The Code of Best Practices states that:
- At least one-third of the total membership of the board should consist of independent NEDs.
  - In any event, there should be not less than two independent NEDs on the board.

A board should also of directors with a suitable range of skills, experience and expertise. However, there should also be a 'balance of power' on the board, so that no individual or small group of individuals can dominate decision-making by the board. The only drawback is that the number is even and so the Board Chairman would hold the veto power in case of a draw. **(5 marks)**

- b) OECD principles

Principle V: Disclosure and transparency "The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the [company], including the financial situation, performance, ownership and governance of the company." The disclosure of information to shareholders and investors is a critically important aspect of corporate governance.

Principle VI: The responsibilities of the board "The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board and the board's accountability to the company and the shareholders." This Principle relates to many of the functions of the board. It includes the requirement that "board members should act on a fully informed basis, in good faith with due diligence and care, and in the best interests of the company and the shareholders." The board should also apply high ethical standards and take into account the interests of the company's stakeholders.

**(3.5 marks for each principle = 7 marks)**

## EXAMINER'S COMMENTS

This question required the candidates to use OECD Principles on disclosure and transparency and to provide the guidance and recommendations given on the principles and how relevant they are to LCH.

Most candidates did well in this question.

## QUESTION EIGHT

The two most powerful positions on the board of directors are those of chairman and chief executive officer (CEO)/managing director. These roles may be held by two different individuals. On the other hand, they may be held by the same person. When one individual holds the position of both chairman and managing director, he may be in a position to dominate the board and dictate the decisions that the board makes.

A principle of good corporate governance is therefore that the two roles should be held by different individuals. To avoid the risk that one individual might dominate decision-making by the board, the UK Corporate Governance Code states that:

- The roles of chairman and chief executive officer should not be held by the same person.
- In addition, a CEO should not go on to be the chairman of the company.
- No individual on the Board should have unfettered powers of decision making.

In Ghana however, the Code of Best Practices does not go so far. The Code states that:

- Ideally, there should be a separation of the roles of chairman and managing director/chief executive officer, particularly in listed companies.
- However, there may be a specific reason why the two roles should be combined, for example in the case of a smaller company where the cost of separating the two roles cannot be justified on economic grounds.
- If the two roles are separated, their respective responsibilities should be formally defined, so that it is clear who is responsible for which aspects of board business.

**(8 marks)**

## EXAMINER'S COMMENTS

From the case Dr. Kingsley Tettey was the Chairman of the 4-member board of directors and Dr Joy Tettey was the Medical Director. Clearly the Chairman was not the Chief Executive Officer or Medical Director of LCH. The candidates were required to discuss what the Ghana Code of Best Practices and the UK Corporate Governance Code state about this governance structure.

Most of the candidates did well in this question and produced very good answers.

## CONCLUSION

Overall, the candidates performed well in this paper compared to the previous examinations.