EXAMINER’S GENERAL COMMENTS
One could describe the overall understanding of the examination questions by candidates as 60% fair and 40% poor. However, there were a handful of good and excellent answers that were given by some candidates showing that they had good knowledge of the subject-matter.

STANDARD OF THE PAPER
The standard and the choice of the questions were satisfactory. The coverage and weighting structure of the Public Sector Accounting and Finance Paper seemed to have been followed but some of the marks awarded to the questions were lopsided. Evaluation of the examination questions indicated that more than 80 percent of the topics in the syllabus were covered. This is quite commendable because it provided the candidates enough flexibility to answer a variety of topics in the syllabus. The Questions set were not sub-standard. However, many candidates struggled to understand their meaning.

GENERAL PERFORMANCE OF CANDIDATES
Scripts that were marked and moderated indicated poor performance in some examination centres and average performance in others. However, there were some isolated good scripts that were marked throughout the country. This is not surprising because of the type of preparation for the examination in different centers. Candidates’ performance may also be a function of better teaching facilities.

STRENGTHS & WEAKNESSES OF CANDIDATES
It is not easy to assess the strengths of the candidates. It is obvious that some of the candidates were well prepared for the examination and this was exhibited in the excellent answers to the questions. Others appeared to think that the examination could be grossed over and still pass. Such candidates failed woefully.

Also, the interpretation of some of the questions seemed problematic in the minds of some candidates. The nature of answers presented by candidates in the examination generally depended on various factors, such as skills and experience acquired in Public Sector Accounting and Finance by some practicing public sector accounting and finance staff and the knowledge other candidates had acquired during studies.
QUESTION ONE

a) According to the Conceptual Framework for General Purpose Financial Reporting (GPFR) for Public Sector Entities issued by IPSASB, GPFR of public sector entities are developed primarily to respond to the information needs of the primary users who do not possess the authority to require a public sector entity to disclose the information they need for accountability and decision-making purposes. It adds that the objectives of financial reporting are therefore determined by reference to the users of GPFRs, and their information needs.

**Required:**

i) In relation to the Conceptual Framework, which category of users is regarded as primary users of the GPFRs of public sector entities? (2 marks)

ii) When preparing financial reports for the Consolidated Fund of Government, identify THREE primary users and their information needs you would endeavour to meet. (3 marks)

b) Public sector entities have downplayed the role of quality financial reporting in public financial management. In recent times, the government has been encouraged by its developing partners to ensure effective financial management and reporting in the public sector by investing in people and processes. The developing partners have touted financial reporting as a major solution to public financial management requirements of developing countries.

**Required:**

Explain FOUR (4) objectives of financial reporting in public financial management. (4 marks)

c) One main difference between public sector and private sector entities is that their objectives are different. The objective of public sector entity is to deliver public goods and services to all citizens in order to maximize their welfare. However, the principal objective of the private sector entity is to make profit on the goods and services they produce and sell in the market.

**Required:**

Explain FOUR (4) reasons why these differences are important. (6 marks)

d) A public sector organisation is an entity which is owned and operated by government for non-profit goals. The public sector is made up of different organizations, and as such requires effective accounting framework to ensure transparency and accountability.

**Required:**

Explain FIVE (5) reasons why *Public Sector Accounting* is useful in any national economy. (5 marks)

(Total: 20 marks)
QUESTION TWO

a) The Public Financial Management (PFM) Act, 2016 (Act 921) was introduced to ensure that Public Funds and resources are properly safeguarded and are used economically, efficiently, effectively and with due propriety.

Required:
State and explain FOUR (4) ways in which public financial resources can be safeguarded under the PFM Act 2016.  
(10 marks)

b) Section 22 of the Public Procurement Act 2003, as amended by Act 914 of 2016 requires tenderers to possess certain qualifications.

Required:
State and explain FIVE (5) qualifications of Tenderers under the Public Procurement Act 2003.  
(10 marks)

(Total: 20 marks)
QUESTION THREE

a) You are the head of Budget department of the Ministry of Works, the Ministry intend to prepare the budget for 2019 fiscal year and have intended to use 2018 budget as a base. Below is the detail of 2018 Budget.

<table>
<thead>
<tr>
<th>Notes</th>
<th>GH¢</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>80,920,000</td>
</tr>
<tr>
<td>Compensation of Employees</td>
<td>24,000,000</td>
</tr>
<tr>
<td>Goods and Services</td>
<td>39,000,000</td>
</tr>
<tr>
<td>Interest</td>
<td>700,000</td>
</tr>
<tr>
<td>Assets</td>
<td>40,000,000</td>
</tr>
</tbody>
</table>

Notes to the Accounts

1) Revenue
   - IGF: GH¢32,000,000
   - Government Grant: GH¢48,920,000
   - Total: GH¢80,920,000

2) Compensation of Employees
   - Established post: GH¢19,000,000
   - Non-established post: GH¢3,200,000
   - Allowances: GH¢1,800,000
   - Total: GH¢24,000,000

3) Goods and Services
   - Utilities: GH¢12,000,000
   - Consultancy cost: GH¢5,000,000
   - Repairs and maintenance: GH¢7,000,000
   - Stationary: GH¢6,000,000
   - Training and seminars: GH¢9,000,000
   - Total: GH¢39,000,000

4) Assets
   - Building: GH¢25,000,000
   - Equipment: GH¢15,000,000
   - Total: GH¢40,000,000

In the preparation of the budget for 2019 the following assumptions are made:

i) The Ministry has just introduced a new equipment and as a result, it is hoped that the IGF would increase by 36%. However, there would be a cut in the government Grants by GH¢9,600,000.

ii) Established post salary would increase by GH¢3,920,000 whereas non-established post salaries would increase to GH¢4,960,000, meanwhile all forms of allowances would increase by 15%.

iii) With the introduction of the new equipment utility cost would increase to GH¢9,700,000, repairs cost would also increase by 9%, and training and seminar cost would also increase to GH¢17,820,000.
iv) The Ministry expects to acquire new equipment which is expected to increase the equipment cost by GH¢150,000,000

**Required:**
Using the 2018 Budget as a base and assumptions made, prepare the Budget for 2019 fiscal year.  

(10 marks)

b)

i) Identify and explain the type of Budget approach used by the Ministry in the Budget preparation.  

(2 marks)

ii) Explain **THREE (3)** merits and **THREE (3)** demerits of the Budget approach adopted in the preparation of the 2019 Budget.  

(3 marks)

iii) Explain an alternative approach you would have suggested to the Ministry for their subsequent budget preparation and explain **THREE (3)** reasons why that approach is appropriate under the circumstance.  

(5 marks)

(Total: 20 marks)
QUESTION FOUR

Destitute Foundation Ghana (DFG) is a Non-Governmental Organisation established in 1980 with the mission of protecting and securing the economic and social interest of the underprivileged and vulnerables. Below is the trial balance as at 31 December, 2016.

<table>
<thead>
<tr>
<th>DR</th>
<th>CR</th>
<th>GH¢'000</th>
<th>GH¢'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated fund</td>
<td>2,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and bank</td>
<td>1,200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity investment</td>
<td>900</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury bills</td>
<td>1,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sundry creditors</td>
<td>1,750</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff advances and loans</td>
<td>400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation of employees</td>
<td>2,800</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General expenses</td>
<td>1,700</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>2,100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project - Scholarship and sponsorship</td>
<td>3,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project - Boreholes</td>
<td>4,400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project - Classroom blocks</td>
<td>3,600</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office equipment</td>
<td>500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motor vehicle</td>
<td>1,300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office rent</td>
<td>200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund-raising</td>
<td>6,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants- International agencies</td>
<td>2,200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant- Government of Ghana</td>
<td>1,800</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other grants</td>
<td>200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees and charges</td>
<td>1,300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other expenses</td>
<td>320</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance cost</td>
<td>400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal and regulatory cost</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Loan</td>
<td>7,020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>1,150</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23,920</strong></td>
<td><strong>23,920</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Additional Information**

i) It is the policy of management to prepare financial statements on modified accrual basis.

ii) The current chart of accounts of DFG has seven items of expenditure: compensation of employees, Administration and general expenses, Finance cost, Legal cost, Capital assets, Project cost and other expenses.
iii) Under the current chart of accounts income is classified as fund-raising, Grants/ supports, and Fees and charges.

**Required:**

a) Prepare Statement of Income and Expenditure for the year ended 31 December 2016, suitable for publication.  


c) Disclose relevant notes to the accounts.

(Total: 20 marks)

**QUESTION FIVE**

a) Good corporate governance is an important way of ensuring accountability and value for money in the public sector.

**Required:**

i) State and explain **FOUR (4)** corporate governance problems in the public sector of Ghana.  

ii) Discuss **FOUR (4)** principles of corporate governance that ensure effective accountability and value for money in the public sector.

b) Public Private Partnership (PPP) is one of the strategies governments can adopt to bridge infrastructure gap in the developing countries. To account effectively for a PPP arrangement, best practices are recommended in executing the arrangements.

**Required:**

Discuss **FOUR (4)** best practices that ensure effective PPP arrangements in the public sector.

(Total: 20 marks)
SOLUTION TO QUESTIONS

QUESTION ONE

a)

i) Primary users of GPFRs are service recipients and their representatives and resource providers and their representatives.

(2 marks)

ii) Primary uses and their information need

<table>
<thead>
<tr>
<th>User</th>
<th>Information need</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citizens</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• To assess accountability of the government</td>
</tr>
<tr>
<td></td>
<td>• To assess service cost information</td>
</tr>
<tr>
<td>Parliament</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• To assess compliance with legally adopted budget and other financial rules.</td>
</tr>
<tr>
<td></td>
<td>• To determine financial performance of government entities.</td>
</tr>
<tr>
<td></td>
<td>• To assess accountability and transparency of government entities.</td>
</tr>
<tr>
<td>Lenders</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• To determine the financial condition of government so as to assess its credit worthiness</td>
</tr>
<tr>
<td></td>
<td>• To assess compliance with debt covenants and conditions.</td>
</tr>
<tr>
<td>Donor agencies</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• To determine accountability for the use of donor funds and supports.</td>
</tr>
<tr>
<td></td>
<td>• To determine whether the terms and conditions upon which the grants were made are being complied with.</td>
</tr>
<tr>
<td>Investors</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• To determine the cost of loanable funds to government and to assess the ability of government to honour the returns on investment.</td>
</tr>
</tbody>
</table>

(3 points well explained for 3 marks)

b) Objectives of financial reporting in public financial management

• To provide financial information useful for determining and predicting the flows, balance and requirements of short-term financial resources of government;
• To provide financial information useful for determining and predicting the economic condition of the government unit and changes therein;
• To provide financial information useful for monitoring performance under terms of legal, contractual and fiduciary requirements;
• To provide information useful for evaluating managerial and organizational performances;
• Determining the costs of programme, functions and activities in a manner which facilitates analysis and valid comparison, with established criteria among time periods and with other sector ministers;

(4 points @ 1 marks = 4 marks)

c) **Reasons why differences are important**
• **Means of funding is different.** Public sector entities are financed largely from the public resources resulting from taxes, levies and other public moneys whereas private sector is financed through capital contribution of owners such as shares. Therefore, public entities are collectively owned by the citizens without equity interest but equity interest is the basis of private ownership.
• **Accountability structures are different.** Public sector entities are accountable to citizens through parliament but private entities are accountable to the shareholders through the board of directors.
• **The nature of goods and services they offer is different.** Public sector is engaged in the provision of public goods and services which are non-excludable and non-divisible. Private sector is involved in the provision of private goods that are rivalry, divisible and discriminatory. Thus, public sector operates in a monopolistic market where private sector operates in a competitive market.
• **The regulatory environment is different.** Public sector entities are established by a specific enactment of Parliament whereas private sector entities are governed by general commercial enactments and other industry specific enactments.

(1.5 marks for each point explained = 6 marks)

d) **Reasons Public Sector accounting is useful to the national economy are:**
• Public sector accounting enables governments to demonstrate accountability for public resources to the citizens.
• Public sector accounting provides useful information that supports social, economic and political decision making of government.
• Public sector accounting is a tool that enables efficient allocation of public resources to the priorities of government.
• Public sector accounting serves as a tool used by government to control its plans, programmes and activities.
• It also helps to measure performance of government in terms of economy, efficiency and accomplishments.
• Public sector accounting is a means of meeting legal requirements to public accounts quarterly and annually.

(1 mark for each point well explained = 5 marks)
(Total: 20 marks)
QUESTION TWO

a) Essential provisions of the Public Financial Management Act which aim at ensuring that resources are properly safeguarded are:

- The Act defines clearly the powers and responsibilities of financial stewards (individual office holders) and their precise roles. It defines the central players in the financial administration of the country, the assignment of responsibilities, their functions and roles. This includes responsibilities and powers of Minister of finance, responsibilities of Chief Director, duties of a Principal Spending Officer, duties and functions of Controller and Deputy General and Accountant-General, and parliament and it oversight responsibility.
- It addresses micro and Fiscal Policy Principles and Strategies.
- Budget preparation approval and it management.
- It establishes Contingency Fund, it payments and advances.
- It establishes Sinking Fund and Debt Servicing.
- It also establishes new strategies of cash and asset management. The Act establish Treasury Single Account, Consolidated Fund and issues involved in Investment of balance on the Consolidated Fund.
- It has establish new ways of Public Debt Management by establishing an office at the Ministry of Finance to deal with Public Debt Management, the Act has shown the purposes under which borrowing can be made.
- It has set dates under which Public Accounts are supposed to be submitted and audited
- Last but not the least, the Act has also establish Audit Committees to replace Audit Reports Implementation Committees.
- Lastly, miscellaneous provisions such as Offence and Penalties, Surcharges and Penalty for Contravention of the Act.

(4 points well explained @ 2 marks each = 10 marks)

b) Qualification of Tenderers

A tenderer in public procurement shall:
- possess the necessary professional and technical qualifications and competence,
- have adequate financial resources,
- have the necessary equipment and other physical facilities,
- have managerial capability, reliability, experience in the procurement object
- have the personnel to perform the procurement contract;
- have the legal capacity to enter into the contract;
- be solvent, not be in receivership, bankrupt or in the process of being wound up, not have its business activities suspended and not be the subject of legal proceedings that would materially affect its capacity to enter into a contract;
• fulfil its obligations to pay taxes and social security contributions
• Meeting ethical and environmental requirements associated with the procurements.

(4 points @ 2 marks each = 10 marks)

(Total: 20 marks)

QUESTION THREE

a)

Budget For 2019

<table>
<thead>
<tr>
<th>Category</th>
<th>GH₵</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>82,840,000</td>
</tr>
<tr>
<td>Staff compensation</td>
<td>29,950,000</td>
</tr>
<tr>
<td>Goods and services</td>
<td>46,150,000</td>
</tr>
<tr>
<td>Interest</td>
<td>700,000</td>
</tr>
<tr>
<td>Assets</td>
<td>190,000,000</td>
</tr>
<tr>
<td>Total Expenditure</td>
<td>266,800,000</td>
</tr>
<tr>
<td>Deficit</td>
<td>(183,960,000)</td>
</tr>
</tbody>
</table>

Workings

W.1 Revenue

IGF (1.36 x 32,000,000) 43,520,000
Government Grants (48,920,000 - 9,600,000) 39,320,000

82,840,000

W.2 Staff Compensation

Established Post (19,000,000+3,920,000) 22,920,000
Non established Post 4,960,000
Allowance (1.15x 1800,000) 2,070,000

29,950,000
W.3 Goods and Services

<table>
<thead>
<tr>
<th>Description</th>
<th>GHC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilities</td>
<td>9,700,000</td>
</tr>
<tr>
<td>Consultancy cost</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Repairs and maintenance (1.09x7000, 000)</td>
<td>7,630,000</td>
</tr>
<tr>
<td>Stationery</td>
<td>6,000,000</td>
</tr>
<tr>
<td>Training and Seminars</td>
<td>17,820,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>46,150,000</strong></td>
</tr>
</tbody>
</table>

W.4 Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>GHC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>25,000,000</td>
</tr>
<tr>
<td>Equipment</td>
<td>15,000,000</td>
</tr>
<tr>
<td>New equipment</td>
<td>150,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>190,000,000</strong></td>
</tr>
</tbody>
</table>

(20 ticks@0.5 marks = 10 marks)

b)

i) **Incremental budget** is derived from the current year’s budget by adding amounts expected to be required or decreases resulting from shrinkage in the scale of operations forced by pressures such as spending limitations mandated by the electorate, or cuts in capital expenditure. In arriving at the budgeted figure for an item in any given year, consideration is given to past period item and any change expected, either increase or decrease. The magnitude of change is determined by using either general inflationary rate or specified price indexes as a benchmark.

(2 marks for the type of Budget identified and explained)

ii)

**Advantages of incremental**

- The process of preparing this type of budget saves time and does not generate volumes of paperwork especially for the decision package.
- Drawing decision packages and ranking operations does not require management skills which may not exist in the organization.
- Incremental Budget is always acceptable to staff or management or trade unions who may prefer the cosy status quo and who see the detailed examination of alternatives, cost benefits as a threat rather than a challenge.
There are considerable advantages in ranking packages and its associated subjective judgements. Political pressures within organizations does not contribute to the problem of ranking different types of activities. It may emphasize longer term benefits which is more important in the end. It requires little information system in an organisation to provide the informational needs of the budgetary process.

(0.5 marks for any three merits explained = 1.5 marks)

Disadvantages of Incremental Budget

- It does not make for a complete, specific and detailed scrutiny of the objects of expenditure. If anything at all it is the incremental amounts that are justified. It may therefore contain expenditures which are not reasonable, inefficient items may also remain financed for a long time.
- There is the tendency of favouring existing programmes at the expense of new ones because budgets are built on inputs or instrumentalism without considering whether it is worth spending on the existing programme.
- It encourages budget controllers to spend whatever amount is allocated for the year, whether that entire amount is needed or not. This stems from the fact that the incremental budget stresses the potential loss of annual unspent monies; i.e. return to government chest any unspent monies. Coupled with this is the fear of budget cuts in subsequent years in areas of under expenditure.
- Incremental budgeting encourages the carrying forward of past inefficiencies this problem could have prevented by adopting Zero-Based Budgeting.

(0.5 marks for any three demerits explained = 1.5 marks)

iii) The best alternative to be adopted is Zero Based Budgeting (ZBB)

It is a method of budgeting whereby all the activities are re-evaluated each time a budget is formulated. Each functional budget starts with the assumption that the function does not exist and is zero cost. Increments of cost are compared with increments of benefit, culminating in the planning of maximum benefit for a given budget cost.

NB: other methods including Activity Based Budgeting, Programme Based Budgeting and Zero base budgeting may be prescribed by candidates.

(2 marks for the well explained alternative approach suggested)

The reasons for adopting this approach is as follows:

- It ensures better allocation and utilization of resources because of the prioritisation procedure adopted (i.e. the ranking of projects).
- ZBB focuses attention on value for money and makes explicit the relationship between the input of resources and the output of benefits.
It develops a questioning attitude and makes it easier to identify inefficient, obsolete or less cost effective operations. That is, it is possible to identify and remove inefficient or obsolete operations.

ZBB leads to increased staff involvement, which may lead to improved motivation and greater interest in the job.

It is a systematic way of challenging the status quo and obliges the organization to examine alternatives existing in cost behaviour patterns and expenditure levels.

Zero-based budgeting addresses and supports comprehensive planning, shared decision making, the development and application of strategies and allocation of resources as a way of achieving established goals and objectives.

It helps to create an organizational environment where changes are accepted.

Zero-based budgeting prevents the carrying forward of past inefficiencies that can be a feature of incremental budgeting

(1 mark for each point identified = 3 marks)

(Total: 20 marks)
QUESTION FOUR

a)

Destitute Foundation
Statement of Income and Expenditure for the year ended 31st December, 2016

<table>
<thead>
<tr>
<th>Income</th>
<th>GH₵ '000</th>
<th>GH₵ '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund-raising</td>
<td>6,500</td>
<td></td>
</tr>
<tr>
<td>Grants (w1)</td>
<td>4,200</td>
<td></td>
</tr>
<tr>
<td>Fees and charges</td>
<td>1,300</td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>1,150</td>
<td></td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>13,150</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditure</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation for staff</td>
<td>2,800</td>
<td></td>
</tr>
<tr>
<td>Administration and general expenses (w2)</td>
<td>4,000</td>
<td></td>
</tr>
<tr>
<td>Finance cost</td>
<td>400</td>
<td></td>
</tr>
<tr>
<td>Legal cost</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Capital cost (w3)</td>
<td>1,800</td>
<td></td>
</tr>
<tr>
<td>Project cost (w4)</td>
<td>11,000</td>
<td></td>
</tr>
<tr>
<td>Other expenses</td>
<td>320</td>
<td></td>
</tr>
<tr>
<td><strong>Total expenditure</strong></td>
<td>20,420</td>
<td></td>
</tr>
</tbody>
</table>

**Net operating result (Deficit)**

(7,270)

b)

Statement of Financial Position as at 31st December, 2016

**Assets**

<table>
<thead>
<tr>
<th>Asset</th>
<th>GH₵ '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity investment</td>
<td>900</td>
</tr>
<tr>
<td>Treasury bill</td>
<td>1,000</td>
</tr>
<tr>
<td>Advances</td>
<td>400</td>
</tr>
<tr>
<td>Cash and Bank</td>
<td>1,200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,500</td>
</tr>
</tbody>
</table>

**Liabilities and Funds**

<table>
<thead>
<tr>
<th>Liability</th>
<th>GH₵ '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sundry creditors</td>
<td>1,750</td>
</tr>
<tr>
<td>Bank loan</td>
<td>7,020</td>
</tr>
<tr>
<td>Bank loan</td>
<td>8,770</td>
</tr>
<tr>
<td><strong>Accumulated fund</strong></td>
<td>-5270</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,500</td>
</tr>
</tbody>
</table>
c) Notes to the accounts

1. Accounting policies
   a) Financial statements are prepared on modified accrual basis.
   b) Capital assets are written off in the year of acquisition.

2. Grants and support
   GH₵ '000
   International agencies 2,200
   Government of Ghana 1,800
   Other grants 200
   4,200

3. Administration and General Expenses
   Administration and general expenses 2,100
   General expenses 1,700
   Office rent 200
   4,000

4. Capital assets
   Office equipment 500
   Motor vehicle 1,300
   1,800

5. Project cost
   Scholarship 3,000
   Boreholes 4,400
   Classroom blocks 3,600
   11,000

6. Accumulated Fund
   Balance b/f 2,000
   Deficit (7,270)
   (5,270)

Suggested Marking Scheme

<table>
<thead>
<tr>
<th>Question number</th>
<th>Mark allocation</th>
<th>Total mark</th>
</tr>
</thead>
<tbody>
<tr>
<td>a)</td>
<td>15 ticks @ 0.533</td>
<td>8</td>
</tr>
<tr>
<td>b)</td>
<td>10 ticks @ 0.8</td>
<td>8</td>
</tr>
<tr>
<td>c)</td>
<td>10 ticks @0.3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>1 mark for accounting policy</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td><strong>(Total: 20 marks)</strong></td>
<td></td>
</tr>
</tbody>
</table>
QUESTION FIVE

a)

i) Problems of Corporate Governance

- Lack of adherence to rule of law and due process
- Ineffective boards (individual Dominance and lack of independence)
- Conflict of interest
- Lack of internal and external scrutiny
- Lack of transparency

(4 points well explained @ 1.5 marks each = 6 marks)

ii) Corporate Governance Principles

- Organisational structure and process (for roles, communication, accountability, compliance and controls)
  The board should comprise independent minded directors. It should include an appropriate combination of executive directors and non-executive directors to prevent one individual or a small group of individuals from dominating the board’s decision taking. The board should be of a size and level of diversity commensurate with the sophistication and scale of the organisation. Appropriate board committees may be formed to assist the board in the effective performance of its duties. All organisations should be headed by an effective board. Responsibilities and accountabilities within the organisation should be clearly identified.

- Controls (risk management, audit, M&E)
  The board should be responsible for risk governance and should ensure that the organisation develops and executes a comprehensive and robust system of risk management. The board should ensure the maintenance of a sound internal control system.

- External reporting (standards, financial and performance reports)
  The board should present a fair, balanced and understandable assessment of the organisation’s financial, environmental, and social and governance position, performance and outlook in its annual report and on its website.

- Audit, Accountability for resources and stewardship (at the senior level)
  Organisations should consider having an effective and independent internal audit function that has the respect, confidence and cooperation of both the board and the management. The board should establish formal and transparent arrangements to appoint and maintain an appropriate relationship with the organisation’s auditors.
• **Responsibility (towards stakeholders, avoiding conflict of interest, etc)**
  The board should be responsible for ensuring that an appropriate dialogue takes place among the organisation, its shareholders and other key stakeholders. The board should respect the interests of its shareholders and other key stakeholders within the context of its fundamental purpose.

• Value for money
• Rule of Law
• Board Independence

  *(4 points well explained at 1.5 marks each = 6 marks)*

b) **PPP BEST PRACTICES**

• **Transparency and competition**
  Transparency and competition are critical to enhance the general public’s confidence in public officials and, more importantly, in PPP arrangements. Contracting authorities must make contract information publicly available. In fact, authorities can do this by disclosing key contract details to the public. In addition, competition is very essential to ensure value for money. Proposed projects must be advertised and allow investors to bid under a competitive environment.

• **Favourable legal framework**
  PPP laws and policy frameworks are important to govern the implementation process. Currently, there is inadequate legal framework for PPP practice in Ghana. Ghana had only a national policy guide; which did not give many details as to how the implementation process is. More essentially, the guide does not clearly stipulate the procedures for managing unsolicited proposals, which are the widely adopted approach for PPP implementation by the government. The PPP Bill was however laid in parliament in 2016.

• **Right project identification:**
  The right public facility must be identified and procured using the PPP concept. Right project identification simply implies the selection of public facilities with strong technical, social, and economic rationale for PPP. In fact, most of past PPP projects implemented in Ghana have been based on “campaign promises” but not from a well-structured infrastructure plan.

• **Capacity building**
  Enhancing the skills of local practitioners (both public officials and local investors) is important toward the growth of PPP in Ghana. Many local practitioners particularly public servants have very little idea and knowledge on the management of PPP projects. More importantly, engaging in competitive negotiation is sometimes a challenge. In this regard, seminars and short courses on PPP negotiations and general implementation approach should be regularly organized for practitioners.
Extensive stakeholder engagement
External stakeholders play crucial role in the successful implementation of PPP projects. Essentially, stakeholders such as civil society groups, local communities, and trade unions should be engaged right from the beginning of the project. Local practitioners should desist from engaging external stakeholders at the later stage of the project development because it irritates the public and fuels the negative public perception on PPP transactions.

Appropriate risk allocation
Proper risk identification and allocation cannot be undermined when practitioners want to achieve success. Risks must be properly identified and allocated to the best party. Essentially, contracting authorities should neither retain excessive risks nor transfer too many risks to investors. In fact, risk sharing must be balanced. It should not be a way of favoring one party since this can result in conflict at a later stage.

Local content and safeguard of consumers rights

Value for money

(4 points @ 2 marks each = 8 marks)

(Total: 20 marks)

EXAMINER’S COMMENTS ON QUESTION ONE TO FIVE
Apart from questions three and four which were answered with some satisfaction, almost all other answers to questions were generally of low to average quality. Some candidates however performed very well in answering questions, showing that they prepared very well for the examination. It may be commented however, that questions 1(d) and 2(a) were the most poorly answered questions.