

**ACCOUNTING TECHNICIAN SCHEME, WEST AFRICA
PUBLIC SECTOR ACCOUNTING PAPER FOR MARCH 2021 DIET
QUESTIONS AND MARKING SCHEME**

Time Allowed: 3 Hours

SECTION A: PART 1 MULTIPLE-CHOICE QUESTIONS (30 MARKS)

ANSWER ALL QUESTIONS IN THIS SECTION

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

1. Which of the following is a direct tax?
 - A. Value added tax
 - B. Communication service tax
 - C. Corporate tax
 - D. Import duties
 - E. Export taxes

2. Your department has taken delivery of 2,000 boxes of stationeries which it had ordered and you are asked to prepare the necessary documents to effect the payment. Which of the following documents will **NOT** be necessary?
 - A. Payment voucher
 - B. Purchase order
 - C. Sales invoice
 - D. Goods received advise
 - E. Receipt Book

3. Which of the following is a benefit of budgeting in the public sector?
 - A. Ensures equity and fairness
 - B. Promotes law and order in the country
 - C. Increases government revenues
 - D. Motives the public bureaucrats
 - E. Ensures profitability and liquidity of government

4. Which of the following is **NOT** a qualitative characteristic of general purpose financial statements?

- A. Faithful representation
 - B. Materiality
 - C. Comparability
 - D. Verifiability
 - E. Relevance
5. All revenues received by government departments as fees and charges on the services rendered in accordance with the laws is known as
- A. Grant-in-aid
 - B. Internally generated fund
 - C. Warrant
 - D. Non-tax revenues
 - E. Ways and means advances
6. International Public Sector Accounting Standard 17 (IPSAS 17) deals with
- A. Presentation of general purpose financial statement
 - B. Accounting policies, changes in accounting estimates and errors
 - C. Property, plant and equipment
 - D. Cash generation assets
 - E. Revenues from non-exchange transactions
7. Under which basis of accounting are non-financial assets **NOT** disclosed?
- A. Cash basis
 - B. Accrual basis
 - C. Commitment basis
 - D. Modified accrual basis
 - E. Mixed basis
8. A procurement method in which invitation for proposal precedes invitation for tenders is known as
- A. Least selection method
 - B. National competitive tendering
 - C. International competitive tendering
 - D. Two-stage tendering

- E. Restricted tendering
9. Which of the following is **NOT** a financial asset of government?
- A. Advances
 - B. Loans
 - C. Equity Investment
 - D. Revenue receivable
 - E. Deposits
10. A government may impose tax on its citizens for all the following reasons, **EXCEPT** to
- A. Raise revenue for development
 - B. Engender economic stability
 - C. Redistribute wealth
 - D. Punish rich people in the community
 - E. Discourage consumption of certain harmful goods
11. In public sector accounting, value for money is measured by
- A. Economy, efficiency and effectiveness
 - B. Integrity, honesty and due care
 - C. Profit, revenue and cost
 - D. Equity, economy and efficiency
 - E. Gross Domestic Product, Tax per capita and Balance of Payment
12. Which of the following is **NOT** an internally generated revenue of a District Assembly?
- A. Licenses
 - B. Rates
 - C. Share of District Assembly Common Fund
 - D. Fees and charges
 - E. Investment income
13. The independent examination of and expression of opinion on the financial statements of an entity is termed
- A. Internal control
 - B. Auditing
 - C. Investigation
 - D. Review
 - E. Forensic audit

14. Government entered into a loan agreement with the Chinese government payable within 10 years at an interest rate of 4% per annum. This loan agreement is described as
- A. Public debt
 - B. Multilateral debt
 - C. Bilateral debt
 - D. Euro bond
 - E. Short term loan
15. The levy imposed on all rateable persons within the jurisdiction of an Assembly is termed
- A. Basic rate
 - B. Property rate
 - C. Poll tax
 - D. Ceded revenue
 - E. Licenses
16. The global organisation for the accountancy profession is known as
- A. International Accounting Standards Board
 - B. International Public Sector Accounting Standard Board
 - C. International Association of Accountants
 - D. International Federation of Accountants
 - E. Association of Certified Chartered Accountants
17. In the course of a financial year, the government may submit a request to Parliament to authorise further spending. This request to Parliament is known as
- A. Supplementary Estimate
 - B. Appropriation Act
 - C. Budget statement
 - D. Certificate of emergency
 - E. Contingent Spending
18. The Supreme Audit Institution of Ghana is known as
- A. Internal Audit Agency
 - B. Auditor- General
 - C. Bureau of National Investigations
 - D. Audit Service
 - E. Public Accounts Committee of Parliament

19. Which of the following committees is associated with public procurement?
- A. Public Accounts Committee
 - B. Public Finance Committee
 - C. Tender Committee
 - D. Finance and Administration Committee
 - E. Audit committee
20. The Ghana Integrated Financial Management System (GIFMIS) offers the following benefits to public sector management, **EXCEPT**
- A. Ensuring timely and accurate reporting in the public sector
 - B. Supporting effective budgeting and budgetary control
 - C. Increasing profitability of government
 - D. Promoting effective cash management
 - E. Ensuring compliance to public financial management, legislations and regulations
21. The most verifiable measurement basis of public assets is
- A. Historical cost
 - B. Market Value
 - C. Replacement cost
 - D. Net realisable value
 - E. Value in use
22. Wages, Salaries and all allowances paid to employees of government are classified as
- A. Goods and Services
 - B. Compensation for employees
 - C. Payroll
 - D. Subsidies
 - E. Employee benefits
23. The warrant required to effect recruitment in the public sector is known as warrant.
- A. General
 - B. Special
 - C. Revoke
 - D. Establishment
 - E. Adjustment

24. Economy, efficiency and effectiveness of an activity are collectively called
- A. Public Management
 - B. Public Administration
 - C. Optimal utilisation of resources
 - D. Value for money
 - E. Performance measurement
25. Which of the following is a source of money for the Ghana Education Trust Fund?
- A. Petroleum levy
 - B. 2.5% of VAT revenue
 - C. International Transit fees
 - D. School fees
 - E. 10% of District Assembly Common Fund
26. Which of the following is **NOT** a responsibility of the Minister of Finance?
- A. Managing public funds
 - B. Preparing and submitting national budget for Parliamentary approval
 - C. Receiving, disbursing and ensuring the custody of the Consolidated Fund
 - D. Supervising the finances of the country
 - E. Making policies on fiscal and strategic issues towards the management of public funds
27. Ministry of Trade has the following objectives, **EXCEPT** to
- A. Make reasonable profit on their services
 - B. Promote trade and business in the economy
 - C. Provide public goods and services
 - D. Support businesses in seeking finance for their business
 - E. Seek tax rebates and holidays for Ghanaian businesses
28. Under the Public Financial Management Act 2016, a warrant issued against an appropriation of a covered entity elapses
- A. Every 31st December
 - B. Every 31st January

- C. Every quarter
 - D. Together with Appropriation Act elapses
 - E. When funds are vired
29. Parliament enacts laws and General Assemblies of local governments enacts
- A. Fee-fixing resolution
 - B. Local laws
 - C. Bye-laws
 - D. Regulations
 - E. Customs
30. Under the Harmonised Chart of Account of government, the cost of seminars and conferences is classified as
- A. Compensation for employees
 - B. Subsidies
 - C. Goods and services
 - D. Social benefit
 - E. Service activity cost

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

ANSWER ALL QUESTIONS

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

1. Under line item budgeting, resource allocation is linked to
2. Highway tolls and are sources of money to the Road Fund.
3. The purpose of the Contingency fund is to.....
4. One function of the District Assembly Common Fund Administrator is...
5. International Public Sector Accounting Standards is to public sector as..... is to private sector.
6. The financial year of the Government of Ghana runs from..... to ...
7. A faithful representation in financial reporting is achieved when the financial information represents what it.....
8. Two examples of consumable stores are.....and.....
9. In procurement, a tender that meets all the requirements of a competitive tendering is termed.....
10. Appropriation Bill is to expenditure estimates as Financial Bill is to.....
11. The practice of comparing actual result with the budgeted amounts and corrective action taken is known as.....
12. **TWO** institutions established by government to combat economic crime in Ghana are..... and
13. The purpose of a warrant in public financial management is.....
14. **TWO** international institutions that make pronouncements and recommendations on government accounting are.....

15. The purpose of Variation Control Report (VCR) is.....
16. Another term for “consumption of fixed capital” is.....
17. One of the functions of internal control in the public sector is.....
18. A fund established for the redemption of debt and the payment of interest is known as.....
19. One method by which withdrawal from the consolidated fund can be authorised is.....
20. One of the exceptional circumstances that a single source procurement is allowed is

SECTION B: ATTEMPT ANY FOUR QUESTIONS (50 MARKS)

QUESTION 1

The bank column of the cash book of Ghana Medical Stores showed an unfavorable balance of GH¢2,000,000 as at 31 December 2020 but the bank statement showed a favourable balance of GH¢7,674,720. An examination of the two statements has showed the following information.

i. Unpresented Cheques

0013788	GH¢5,500,000
0013738	GH¢610,000
0013791	GH¢720,000
0013792	GH¢3,250,000

ii. Uncredited Cheques

10007	GH¢733,000
10207	GH¢496,000
03030	GH¢3,134,000

- iii. The following direct credits were discovered:
- a. Ghana Health Services has lodged GH¢4,000,000 into the bank account of Ghana Medical Store however the payment advice was not received at the end of December.
 - b. Interest received on investment GH¢9,020
- iv. Direct debits include
- a. Commission on turnover (COT) GH¢5,300
 - b. Monthly insurance premium GH¢36,000
 - c. Bank charges GH¢30,000.

Required

- a. Prepare an Adjusted Cash Book for the month of December, 2020.
 - b. Prepare a Bank Reconciliation Statement for the month of December, 2020
- (Total 12½ Marks)**

QUESTION 2

Below is information relating to the Ministry of Tourism that has a bank balance of GH¢45,000 as at 31 March 2020.

- (i) The budgetary release of GH¢180,000 from government will be received in the beginning of the second quarter of the year.
- (ii) The internally generated fund is estimated to be GH¢90,000, GH¢120,000 and GH¢60,000 for April, May and June respectively. However, past experiences show that only 90% of these estimates are actually received by the Ministry.
- (iii) Compensation for employees for April, May and June will be GH¢37,500, GH¢39,000 and GH¢37,500 respectively. These will be paid as and when they fall due.
- (iv) Foreign grant of \$4,500 is expected to be received in May when the exchange rate will be \$1 – GH¢5.

- (v) Repairs and maintenance cost in May will be GH¢18,000 and will be paid one month in arrears.
- (vi) Tax withholdings for April, May and June are estimated to be GH¢4,500, GH¢4,800 and GH¢4,650 respectively and will be paid one month in arrears.
- (vii) The Ministry acquired motor vehicle in January for GH¢120,000 and 50% of the amount is due for payment in June
- (viii) Supplies for goods worth GH¢37,500 and GH¢45,000 will be made in March and May respectively and payment will be made one month in arrears.

You are required to

Prepare a Cash Budget for the Ministry of Tourism for the Second Quarter (April, May and June) of 2020 financial year. **(Total 12½ Marks)**

QUESTION 3

- a. Explain **FOUR** benefits of adopting the International Public Sector Accounting Standards (IPSAS) in the presentation and preparation of financial Statements. (6 Marks)
- b. State **SIX** functions of the Head of Procurement Entity in line with Public Financial Management Act of 2016. (6½ Marks)
(Total 12½ Marks)

QUESTION 4

Below are cash transactions of Department of Welfare for the year ended 31 December 2019

	GH¢
Government of Ghana receipt	750,000
Fees and charges on services	150,000
Compensation of employees	330,000
Goods and services	270,000
Interest expense	75,000
Grants received from donors	180,000
Purchase of non-financial assets	225,000
Staff loans	60,000
Investment	90,000
Sale of investment	15,000
Auction of old assets	22,500
Staff advances	120,000
Bank loans	450,000
Repayment of loans	90,000
Social benefits	30,000
Other expenditure	105,000
Consumption of fixed capital	75,000
Cash and cash equivalent as at 1/1/2019	135,000

Required

Prepare a Statement of Cash Flows for the year ended 31 December 2019, in accordance with IPSAS 2.

(Total 12½ Marks)

QUESTION 5

- Explain the concept of “Value for Money” (6 Marks)
- Illustrates with examples, how each element of value for money plays out in a typical public sector entity. (6½ Marks)

(Total 12½ Marks)

QUESTION 6

Ghana Integrated Financial Management Information System (GIFMIS) is a very important system that has come to eradicate the challenges of public financial management.

Required

Explain **FIVE** challenges in public financial management that GIFMIS has come to solve. **(Total 12½ Marks)**

SOLUTION TO QUESTIONS

SECTION A: PART 1 MULTIPLE-CHOICE

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

SECTION A: PART II SHORT-ANSWER QUESTIONS (SAQ)

1. Input
2. Sources of money to Road Fund
 - a. Portion of petroleum levy
 - b. High way tolls
 - c. Portion of vehicle inspection
 - d. International transit charges
 - e. Allocation from the budget as may be determined by Minister of Finance

½ marks each for any two
3. The purpose of the fund is to provide money when there has arisen an urgent or unforeseen need for expenditure for which no other provision exists to meet the need.
4. Function of DACFA
 - Propose formula for distribution the common fund for the approval of parliament not later than three months after the end of the financial year.
 - Distribute the common fund to the MMDAs based on the approved formula
 - Report in writing to Parliament on the distribution and utilization of the common fund by the Assemblies
5. International Financial Reporting Standards (IFRS)
6. Financial year runs from January 1 to December 31st of every yea
7. Faithful representation is achieved when the financial information represents what it purports to represent. It is reliable information which is complete, unbiased and free from error
8. Fuel, lubricants, refreshment, stationery etc
9. Responsive tenders
10. Financial proposal/ revenue estimates
11. Budgetary control
12. Institutions to combat economic crime
 - Bureau of National Investigations (Security and Intelligence Agencies Act (Act 526) 1996)
 - Economic and Organized Crime Office (2010 –Act 804)

- Financial Administration Court
13. A warrant is an approval given by the Minister of Finance for the commitment and disbursement of appropriations from the Consolidated Fund. It is a subordinated authority of the Appropriation Act
 14. International institution that make pronouncement on Public sector accounting:
 - a. International Federation of Accountants
 - b. International Public Sector Accounting Standards Board
 - c. United Nations Organization and
 - d. Chartered Institute of Public Finance and Accountancy (CIPFA)
 15. The Purpose of variation Control Report is to provide the variances in the budget and actual outcome and investigate the cause of those variance for management action
 16. Consumption of fixed capital which is also known as depreciation refers to the allocation of the cost of non-financial assets over their useful lives on an acceptable basis
 17. State one function of internal control in the public sector
 - i) To identified and manage risk of the entity
 - ii) To safeguard the use of entity resources
 - iii) To provide a standard procedure of operation
 - iv) To deter fraud within the organization
 18. Sinking Fund
 19. State one way by which withdrawal from the Consolidated Fund can be authorised
 - i) Through Appropriation Act
 - ii) Through Supplementary budget approved by parliament
 - iii) Through request of expenditure in advance of appropriation approved by Parliament.
 20. State one exceptional circumstances that which single source procurement is allowed

Exceptional circumstances for use of SSP:

 - i. Goods or services are only available from a single supplier or the supplier has exclusive right.
 - ii. Urgent need for the GWS not caused by dilatory conduct of the procurement entity, making it impracticable to use competitive methods
 - iii. Occurrence of catastrophic even making the use of competitive method impracticable.

- iv. Contract for research, experiment, study or development not for commercial purpose.
- v. Procurement has implications for National security
- v) Where additional supplies need to be procured from a supplier who had made supply in the immediate to ensure standardization and compatibility with existing goods or equipment

SECTION B

QUESTION 1

Adjusted cash book	GH¢
Balance per cash book	(2,000,000)
Credit – GMS	4,000,000
Interest	<u>9,020</u>
	2,009,020
Less Debits:	
Commission (COT)	5,300
Insurance	36,000
Bank charges	10,000
Adjusted cash book balance	<u><u>1,957,720</u></u>

Bank Reconciliation Statement - December 2020

			GH¢
Balance as per adjusted Cash book			1,975,720
Unpresented Cheques			
	13788	5,500,000	
	13738	610,000	
	13791	720,000	
	13792	3,250,000	10,080,000
			12,037,720
Uncredited cheques			
	10007	733,000	
	10207	496,000	
	3030	3,134,000	<u><u>4,363,000</u></u>
Balance as per bank statement			<u><u>7,674,720</u></u>

(½ Marks each for any 25 entries = 12 ½ Marks)

QUESTION 2

Cash Budget for the Second Quarter of 2020

	April	May	June
	GH¢	GH¢	GH¢
Cash Inflow			
Budget allocation	180,000		
Internally generated fund	81,000	108,000	54,000
Grants		22,500	
	261,000	130,500	54,000
Out flow			
Compensation for employee	37,500	39,000	37,500
Repairs and maintenance			18,000
Tax withholding		4,500	4,800
Motor vehicle			60,000
Supplies	37,500		45,000
	75,000	43,500	165,300
Surplus/(deficit)	186,000	87,000	-111,300
Cash balance b/f	45,000	231,000	318,000
Cash balance c/f	231,000	318,000	206,700

(½ Marks each for 25 entries= 12 ½ Marks)

QUESTION 3

a) **Four (4)** benefits of IPSAS

- Accountability:** IPSAS requirement for increased disclosure in accounting reports increases the level of accountability in government.
- Transparency:** Where IPSAS is adopted, full disclosure becomes an imperative of Public Sector Accounting.
- Improved Credibility/Integrity:** Government accounting/reporting are not credible if government itself decides the rules.

- iv) **Building Confidence in Donor Agencies and Lenders:** Adoption of IPSAS increases the country's eligibility to access economic benefits from donor agencies (UNDP, USAID etc), private sector financial institutions (Bonds and Bonds rating agencies), official institutions (IMF and World Bank) etc.
- v) **Improved Service Delivery:** As a result of greater accountability and transparency, adoption of IPSAS will improve Value- for -Money (VFM).
- vi) **Aggregate Reporting:** Adoption of IPSAS will ensure a holistic reporting of government financial transactions and positions
(1 ½ Marks each for 4 points = 6 Marks)

b) Functions of Head of Procurement Entity in line with PFM Act 2016

- i) Ensure compliance to the Act 914 and concurrent approval from a tender review committee does not absolve the accountability of the head for contracts made.
- ii) Establish procurement unit within entity staffed with qualified personnel.
- iii) Empanel competent and qualified evaluation panels
- iv) Ensure that procurement procedures are followed (due process)
- v) Ensure stores, vehicles and equipment are disposed off according to the Act
- vi) Exercise sound judgement in making procurement decisions
- vii) Seek concurrent approval from the tender review committee when threshold is exceeded.
- viii) Facilitate contract administration and ensure compliance to contract reporting requirements

(1 Mark each for 6 points = 6 Marks Plus ½ for clarity)
(Total 12 ½ Marks)

QUESTION 4

PUBLIC WORKS DEPARTMENT

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2019

CASH FLOW FROM OPERATING ACTIVITIES GH¢'000 GH¢'000

GoG receipt	750	
Fees and charges	150	
Grants	180	
Compensation for employees	-330	
Goods and services	-270	
Interest payment	-75	
Social Benefits	-30	
Other expenses	-105	
NET CASH FLOW FROM OPERATING ACTIVITIES		270

CASH FLOW FROM INVESTING ACTIVITIES

Non-Financial Asset	-225
Staff loan	-60
Staff advances	-120
Investment	-90
Sale of investment	15
Auction of old assets	22.5

NET CASH FLOW FROM INVESTING ACTIVITIES

-457.5

CASH FLOW FROM FINANCING ACTIVITIES

Bank Loan	450
Repayment of loan	-90

NET CASH FLOW FROM FINANCING ACTIVITIES

360

Increase in Cash and Cash equivalent	172.5
Cash and cash equivalent at 1/12/19	<u>135</u>
Cash and cash equivalent at 31/12/16	<u><u>307.5</u></u>

(Marks allocation: 30 ticks @0.42 = 12½Marks)

QUESTION 5

- a) Value for money is achieved when public monies are used judiciously in the provisions of public services. Citizens are expected to derive value from the taxes and levies they have paid to government. Value for money is achieved when there is economy, efficiency and effectiveness in the delivery of public goods and services.

Economy refers to the cost of inputs in delivery of public service. The economy in activity is achieved when right quality inputs are obtained at the lowest possible cost. It involves cost saving in service delivery.

Efficiency is the ratio of output to the inputs of service delivery. It focuses on the processes and procedures used in converting inputs into public service. It is mainly concerned with how to eliminate wastage in the service delivery process. It focuses on process and technology deployed in the process.

Effectiveness is about attainment of result. The entity is said to be effective when it is able to achieve its goals, objectives and targets. For there to be value for money, there should be interplay of economy, efficiency and effectiveness.

(6 Marks)

- b) Examples to illustrate the

Economy

A hospital has the choice of medical consumables of same quality from supplier A for GHc500,000 and supplier B for GHc600,000. If the hospital buys from supplier B due to lack of information about the price that A is offering, that hospital will be said to be uneconomical since it acquires the item at higher price than could obtain in the market. Another example is where an entity engages a PhD holder as a cleaner and pays him for PhD qualification, that entity is uneconomical because it does not need a PhD for cleaning job.

Efficiency

A District Assembly engages many revenue collectors to collect money from the traders and pays salary to each of them. However, revenues collected are sometimes lost through the several hands. The process of revenue collection can be said to be inefficient as the cost of labour and losses consumes significant portion of the revenue collected. Another Assembly may use technology to achieve higher revenue mobilization. That Assembly is efficient in revenue mobilization.

Effectiveness

A social welfare department plans to increase access of micro finance to 5000 fish mongers at the coast. When this result is achieved the department is said to be effective, even when economy and efficiency is lacking in their activities

**(2 marks for each example = 6 marks + 1/2 marks for clarity)
(Total 12½ Marks)**

QUESTION 6

Problem that GIFMIS has come to solve include:

- i) Poor quality accounting and financial reporting in the public sector
- ii) Delay in presentation of the financial reports which affect timeliness of the information for decision
- iii) Ineffective budget control
- iv) Lack of fiscal discipline where spending exceeds budget approved amounts and disregard for the budget in programmes and activities.
- v) Non- compliance to the financial laws
- vi) Ineffective cash management and treasury management in the central government agencies.
- vii) Abuses of due process in public procurement
- viii) Etc

(Any 5 points for 2.5 Marks each = 12½ Marks)