

ICAG BUSINESS LESSONS (WEEK 14)

Good morning

This is **week 14** of the year 2022 in the Gregorian calendar. 38 weeks remain until the end of the year.

MONDAY MOTIVATION

Do not go where the path may lead, go instead where there is no path and leave a trail.

– *Ralph Waldo Emerson*

FUNFACT OF THE WEEK

The Institute of Chartered Accountants (Ghana) conducted its first professional exam in May 1968. The total number of participating candidates was seven (7).

This premier exam was under the auspices of Mr. S.W Awuku-Darko, the Council President (1967-1969) and Mr. E.O Larson, the Executive Secretary (1963 – 1969).

The Institute collaborated with the English Institute of Chartered Accountants until 1978 when ICAG gained autonomy.

Well, it is that time of the year again! All the best to all candidates!

ACCOUNTING QUOTE OF THE WEEK:

Don't ever let your business get ahead of the financial side of your business. Accounting, accounting, accounting. Know your numbers.

– *Tilman J. Fertitta*

ACCOUNTING CONCEPT OF THE WEEK: PUBLIC ACCOUNTABILITY – PART II

VALUE FOR MONEY

Value for money is a term used to assess whether or not an organization has obtained the maximum benefit from the goods and services it both acquires and provides within its resources.

It is the utility derived from every purchase or sum of money spent.

It is concerned with the minimum amount paid for a good or service and includes the maximization of the effectiveness and efficiency of the purchase.

Achieving value for money is also often described in terms of the '4 Es' – Economy, Efficiency, Effectiveness, and Equity.

Economy

Economy is concerned with the price paid for goods or services. It means incurring the lowest cost to achieve the required quality of goods or service.

Economy therefore means careful use of resources to save expense, time or effort.

It is achieved when:

- a. Due procurement process is followed
- b. Due recruitment process and practices are followed
- c. Cost control systems are effective

Efficiency

Efficiency measures the impact of the amount spent against expectations outlines. Efficiency therefore refers to delivering the same level of service for less cost, time or effort.

Efficiency results when:

- a. The right quality of the material is procured
- b. Right competencies and skills are engaged
- c. Right technologies are used
- d. Right storages and warehousing systems are used
- e. Quality control procedures are put in place

Effectiveness

Effectiveness is delivering a better service or getting a better return for the same amount of expense, time or effort.

It is achieved when:

- a. Goals are set and communicated.
- b. Review systems (internal audit) are working

Equity

Equity is concerned with the degree to which everyone benefits from the amount spent. It, therefore, means ensuring that the benefits from goods or services are fairly distributed.

In spending;

Economy means spending less

Effectiveness means spending wisely

Efficiency means spending well

Equity means spending fairly.

Leakages in Value for Money

- a. Poorly designed programmes or projects
- b. Poor budgeting
- c. Sub-optimal implantation
- d. Inadequate monitoring and evaluation process
- e. Weakness in public procurement controls
- f. Corruption and theft
- g. Misappropriation of assets

VALUE FOR MONEY ANALYSES

Value for money is the optimum combination of whole life costs, and the good or service quality to meet the user's requirement (World Bank Institute, 2013).

Value for money analyses involve analyzing the costs and benefits of a programme and interpreting the critical indicators for assessing the value for money.

Purpose of Value for Money Analysis

It is to help governments make informed decisions on whether to implement proposed projects as PPP or through other traditional incomes.

Benefits of Value for Money Analysis

- a. It is the best criteria for choosing the best alternative about the range of delivery options.
- b. It provides a clearer understanding of the need to do a whole life cycle costing for a project
- c. It generates political support because it broadens constitutions on a chosen delivery methods.

ICAG wishes all candidates sitting the CA Professional Exam – April Diet, success. You have silently studied for weeks, and now you will quietly take your exams. It's your success that's going to be loud and proud! Go crown your efforts with success!

*And to our Muslim brothers and sisters, ICAG extends her warmest **Ramadan** greetings to you. May the month bring unto you successful and unforgettable year!*

Have a blessed week!

Compiled by:

Technical and Research Directorate, (Institute of Chartered Accountants (Ghana)).

Please send all comments and suggestions to **Alhassan Trawule** on **0242 732976**.

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