

JULY 2025 PROFESSIONAL EXAMINATIONS
PUBLIC SECTOR ACCOUNTING AND FINANCE (PAPER 2.5)
CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME

EXAMINER'S GENERAL COMMENTS

Overall, the quality of the questions was of a standard level and covered the entire examination syllabus, which is commendable. The mark allocation was fair and appropriately reflected the weight assigned to the various syllabus topics. Candidates' responses to the exam items have improved, resulting in a significant overall performance in the examination. A pass rate of 38 % was recorded for this diet.

STANDARD OF THE PAPER

The questions were of appropriate standard, featuring broad coverage, clear requirements, consistency and sufficient allotted time. The paper comprised five questions, including sub-questions and sub-sub-questions, ensuring extensive coverage of the examination syllabus. The questions appropriately reflected the level of knowledge required by the syllabus. Cognitively, the questions aligned with Bloom's Taxonomy, particularly emphasizing application and analysis, in accordance with the learning outcomes outlined in the syllabus.

PERFORMANCE OF CANDIDATES

The overall performance in the examination was highly impressive. A few candidates demonstrated exceptional performance by achieving very high scores. This success may be attributed to the high quality of the examination questions and the candidates' preparedness, supported by the availability of the Study Manual and Question Bank published by the Institute. Prospective candidates are encouraged to utilize the study manuals and other reading materials provided by the Institute.

NOTABLE STRENGTHS AND WEAKNESSES OF CANDIDATES

Several general weaknesses among candidates have been consistently observed in their responses over time:

- **Lack of understanding of the requirements of the question:** Some candidates often fail to provide responses that align with the specific requirements of the questions. For example, in question 3 the candidates were asked to explain the reasons why a country should subscribe to the PEFA assessment and some candidates chose to explain the pillars of public financial management under the PEFA framework
- **Limited coverage of syllabus:** Some candidates exhibit a narrow focus on certain topics, such as the preparation of financial statements, neglecting other areas covered in the syllabus. Consequently, they struggled to attempt all questions in the examination, reducing their chances of success.
- **Poor time management:** Several candidates struggled with time management during examinations, spending excessive time on certain questions, often those related to financial statement preparation. As a result, they may not complete the paper within the allocated time frame.
- **Ill-preparation:** There are instances where candidates appear to have little to no preparation for the examination, resulting in responses that demonstrate a complete lack of understanding of the subject matter.
- **Use of pencil.** Some candidates used pencils in answering the questions, and this is totally unacceptable. Candidates are advised to use indelible ink in providing their responses.

QUESTION ONE

Akwapim Community Hospital is a public facility in the Eastern Region, which serves several communities. Its trial balance for the year ended 31 December 2023 is provided below:

	DR	CR
	GH¢'000	GH¢'000
Cash and Cash Equivalent	756,000	
13.5% SSF		285,135
Outpatients		1,375,500
Inpatients		1,847,500
Drugs and Medications		1,150,000
Purchases (Drugs)	810,000	
Inventory (Drugs)	165,000	
Ultrasound Revenue		348,000
Laboratory Service Fees		688,800
Travel and Transport	13,500	
Seminars and Conferences	120,000	
General Cleaning	93,600	
Consulting Specialist	37,500	
Clinical Consumables	18,000	
Contracted Service Expense	22,500	
Established Post Salaries	2,109,000	
Casual Labour	102,750	
Extra Duty Allowances	438,500	
GoG Subvention		2,257,500
Repairs and Maintenance	105,000	
Surgical Fees		180,000
Eye Care Fees		270,000
Bungalow Rent (v)		20,240
Laboratory Equipment (ii, vii)	825,000	55,000
Building (vii)	1,822,500	91,125
Motor Vehicles (vii)	1,200,000	180,000
Software (vii)	15,000	6,000
Fixed Deposits	150,000	
NHIS Claims Receivable	1,350,000	
Sundry Creditors		171,000
Ambulance Service Fees		228,000
Dental Fees		168,000
Mortuary Fees		37,500
Bank Loans		200,000
Interest (iii)	40,000	20,000
Other Expenses	53,700	
Accumulated Surplus		668,250
	<u>10,247,550</u>	<u>10,247,550</u>

Additional information

- i) The hospital's policy is to prepare its financial statements in compliance with International Public Sector Accounting Standards (IPSAS) and Public Financial Management Act, 2016 (Act 921).
- ii) On 1 March 2023, a new piece of equipment with a cost of GH¢250,000 and a fair value of GH¢200,000 was donated by the Member of Parliament for the constituency where the hospital is situated. The equipment was assessed to have a useful life of eight (8) years. This has not yet been accounted for in the trial balance. The transaction should be accounted for in line with **IPSAS 23: Revenue from Non-Exchange Transactions**.
- iii) The fixed deposit attracts interest of 22% per annum. The transaction should be accounted for in line with **IPSAS 28, Financial Instruments: Presentation**.
- iv) Inventory of drugs as at 31 December 2023 amounted to GH¢105,000,000 at cost and had a net realisable value of GH¢75,000,000 but its replacement cost is GH¢120,000,000. Drugs amounting to GH¢20,000 was certified by the hospital pharmacist as expired. These drugs are no longer wholesome for human consumption. The transaction should be accounted for in line with **IPSAS 12: Inventories**.
- v) Bungalow rent outstanding as at the end of the year amounted to GH¢15,000,000. This transaction should be accounted for in line with **IPSAS 16: Investment Property**.
- vi) The hospital advertised its intention to create a market area where they will construct shops and rent it out to some interested businessmen intending to sell in the hospital area. So far, GH¢200,000,000 has been received from interested businessmen. Construction of the shops is underway, with amount of GH¢80,000,000 invested in the project. However, it is expected to be fully completed in two years. This is not provided for in the trial balance.
- vii) Consumption of Fixed Assets is charged on a straight-line basis with time apportionment in the year of acquisition

Asset	Useful life
Laboratory Equipment	8 years
Building	50 years
Motor Vehicles	10 years
Software	5 years

Required:

Prepare in compliance with the IPSAS and relevant legislations:

- a) Statement of Financial Performance for the year ended 31 December 2023. **(8 marks)**
- b) Statement of Financial Position as at 31 December 2023. **(8 marks)**
- c) Notes to the Accounts. **(4 marks)**

(Total: 20 marks)

QUESTION TWO

- a) The Management of Bontefufu District Assembly has decided to increase its revenue generation in order to improve the quality of service delivery in the District. It has therefore decided to acquire a software which can help in its revenue management as well as block revenue leakage which has bedevilled the Assembly over the years. The Assembly has obtained approval from the appropriate authority and has contracted an IT Consultant to undertake a feasibility study and recommend a suitable approach and software for the Assembly.

The consultant has recommended in his report that the Assembly should develop its own software.

Required:

- i) Explain **TWO** practical difficulties that Bontefufu District Assembly would encounter in determining the cost of an internally developed software for capitalisation in accordance with *IPSAS 31: Intangible Assets*. **(4 marks)**
- ii) State the conditions which must be met simultaneously, according to IPSAS 31 in order to satisfy the recognition criteria for an internally developed software such as one by Bontefufu District Assembly. **(6 marks)**
- b) At the beginning of the year 2024, the Ministry of Home Affairs transferred some generator plants to the Ministry of Works and Employment. In return, the Ministry of Works & Employment also transferred two Toyota Land Cruisers, V8 Edition, to the Ministry of Home Affairs. The values of the V8 were not disclosed.

The generator plants transferred by the Ministry of Home Affairs were acquired on 1 January 2019 at a cost of GH¢546,800 subject to an 8-year straight line depreciation policy with GH¢2,000 residual value.

The assets were revalued alongside other classes of similar assets on 1 January 2022, having accounted for the revaluation in reserves and stating the value of the assets at GH¢423,650 in the books with no recoveries from scrap in sight.

On 1 January 2023, an impairment review was conducted on the assets where the carrying amount of the assets was deemed to be far in excess of benefits expected to be derived from usage of the asset. The process led the asset to be restated at GH¢251,650.

Assume a capital reserve of GH¢102,345 as at 31 December 2022.

Required:

- i) With reference to *IPSAS 17: Property, Plant and Equipment* determine how much the V8s received from the Ministry of Works & Employment would be stated in the books of the Ministry of Home Affairs at the beginning of 2024. **(8 marks)**
- ii) Compute the balance on the capital reserves account at the beginning of 2024. **(2 marks)**

(Total 20 marks)

QUESTION THREE

- a) In Ghana, the PFM Act 2016, (Act 921) establishes the concept of Treasury Single Account (TSA) to assist the government in effective cash management. TSA is an effective tool for improved cash management process of government.

Required:

- i) Explain the concept of *Treasury Single Account* in the context of the PFM Act 2016, (Act 921). (2 marks)
- ii) Discuss **FOUR** benefits a country will derive from the implementation of TSA system. (6 marks)
- iii) Identify key transitional arrangements enshrined in the Public Financial Management Regulation 2019, L.I. 2378 for the implementation of TSA in Ghana. (2 marks)
- b) Budget preparation and approval is one of the major pillars of the Public Financial Management system. Due to its importance, the national constitution places principal responsibility of the country having an approved budget for any fiscal year on the President of the Republic. However, this responsibility is normally performed by the Finance Minister, Principal Spending Officers and Principal Account Holders of covered entities through the establishment of *budget office* and *budget committees*.

Required:

In a memorandum, discuss **FOUR** functions each of the *Budget Office* and *Budget Committees* to the newly appointed Principal Spending Officer of Nkawie College of Education in your capacity as the Director of Finance. (10 marks)

(Total: 20 marks)

QUESTION FOUR

- i) Community Water and Sanitation Agency is a government agency committed to efficient delivery of safe and sustainable water, sanitation and hygiene services to rural communities and small towns in Ghana.

Presented below is the statement of profit or loss of Community Water and Sanitation Agency for the years ended 31 December:

	2023	2022	2021
	GH¢	GH¢	GH¢
Revenue	9,505,000	8,885,000	7,550,000
Cost of operations:			
Production cost	1,656,000	1,619,000	1,415,000
Transmission/boosting cost	146,000	133,000	125,000
Distribution cost	1,366,000	1,240,000	1,125,000
Commercial/marketing cost	<u>1,164,000</u>	<u>1,252,000</u>	<u>1,200,000</u>
	<u>(4,332,000)</u>	<u>(4,244,000)</u>	<u>(3,865,000)</u>
Gross profit/(loss)	5,173,000	4,641,000	3,685,000
Other income	119,000	132,000	110,000
Profit/(loss) before finance cost	<u>5,292,000</u>	<u>4,773,000</u>	<u>3,795,000</u>
Finance cost	<u>(1,642,000)</u>	<u>(1,665,000)</u>	<u>(1,335,000)</u>
Profit/(loss) for the year	3,650,000	3,108,000	2,460,000

Required:

- i) Prepare a common size statement of profit or loss for the year ended 31 December 2023. (7 marks)
- ii) Based on the common size statement of profit or loss prepared in (i) above, write a report analysing the financial performance of the Agency. (10 marks)
- iii) Explain **THREE** usefulness of common size statements. (3 marks)

(Total: 20 marks)

QUESTION FIVE

- a) Financial statements portray the financial effects of transactions and other events by grouping them into broad classes which share common economic characteristics. These broad classes are termed the elements of financial statements. Elements are the building blocks from which financial statements are constructed. These building blocks provide an initial point for recording, classifying and aggregating economic data and activity in a way that provides users with information that meets the objectives of financial reporting. Assets represent one of the elements of financial statements and is defined by the conceptual framework as *a resource presently controlled by the entity* as a result of a past event.

Required:

- i) Discuss the following phrases in the definition of an *Asset* in context to the conceptual framework:
- “A resource”.
 - “Presently controlled by the entity”. (6 marks)
- ii) Explain **FOUR** other Elements of Financial Statements with reference to the conceptual framework. (4 marks)
- b) Despite dwindling trust in public service around the globe, people still believe that public service is a serious business. Hence, those who serve in public offices as public servants and public office holders must brace-up to give the best required of public officers. The lack of measurable operating procedure in the public sector as opposed to what pertains in the private sector and the need for standardisation of public service delivery must have warranted Lord Nolan and his Committee to propose the seven principles of public life.

Required:

Discuss **FIVE** elements of Nolan’s *seven principles of public life* and state the impact of Lawton’s *virtue ethics* on the concepts of the seven principles of public life. (10 marks)

(Total: 20 marks)

SUGGESTED SOLUTION

QUESTION ONE

a)

AKWAPIM COMMUNITY HOSPITAL			
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31/12/2023			
REVENUE	NOTES	GH¢'000	GH¢'000
GOG Subvention		2,257,500	
Internally Generated Fund	2	6,361,540	
Grant		<u>200</u>	
Total Revenue			8,619,240
EXPENSES			
Compensation of Employees	3	2,650,250	
Use of Goods and Services	4	1,310,120	
Interest		40,000	
Consumption of fixed Assets	11	262,595.83	
Other Expenses		<u>53,700</u>	
Total Expenditure			(4,316,665.83)
Surplus			<u>4,302,574.17</u>

(8 marks evenly spread using ticks)

b)

AKWAPIM COMMUNITY HOSPITAL			
STATEMENT OF FINANCIAL POSITION AS AT 31/12/2023			
ASSETS	NOTES	GH¢'000	GH¢'000
Non-Current Assets			
Property Plant and Equipment	11	3,261,979.17	
Intangible Asset (Software)	11	6,000	
WIP (Shops)		80,000	
Financial Asset (Fixed Deposit)		<u>150,000</u>	
Total			3,497,979.17
Current Assets			
Cash and Cash Equivalent	7	876,000	
Receivables	8	1,378,000	
Inventory	5	<u>74,980</u>	
Total			<u>2,328,980</u>
TOTAL ASSETS			<u>5,826,959.17</u>
LIABILITIES AND FUND			
Non-Current Liabilities			
Bank Loans		200,000	
Deposits (Deferred Income)		<u>200,000</u>	
Total			400,000
Current Liabilities			
Payables	10	<u>456,135</u>	<u>456,135</u>
Total Liabilities			856,135
Fund	6	<u>4,970,824.17</u>	<u>4,970,824.17</u>
TOTAL LIABILITIES AND FUND			<u>5,826,959.17</u>

(8 marks evenly spread using ticks)

NOTES TO THE ACCOUNTS

2. Internally Generated Fund

	GH¢'000
Outpatients	1,375,500
Inpatients	1,847,500
Drugs and Medication	1,150,000
Ultrasound	348,000
Laboratory	688,800
Surgical Fees	180,000
Eye Care fees	270,000
Bungalow rent (20,240+15,000)	35,240
Ambulance	228,000
Dental fees	168,000
Mortuary Fees	37,500
Interest (22%*150,000)	<u>33,000</u>
	<u>6,361,540</u>

3. Compensation

	GH¢'000
Established Post Salaries	2,109,000
Casual Labour	102,750
Extra duty Allowance	<u>438,500</u>
	<u>2,650,250</u>

4. Goods and services

	GH¢'000
Drugs available for sale (5)	900,020
Travel and transport	13,500
Seminar and Conferences	120,000
General Cleaning	93,600
Consulting specialist	37,500
Clinical Consumable	18,000
Contracted service	22,500
Repairs and maintenance	<u>105,000</u>
	<u>1,310,120</u>

5. Inventory of Drugs

	GH¢'000
Opening Inventory of drugs	165,000
Add Drug purchases	810,000
Closing Inventory (9)	<u>(74,980)</u>
	<u>900,020</u>

6. Statement of accumulated fund

	GH¢'000
Balance b/f	668,250
Profit for the year	<u>4,302,574.17</u>
Balance c/d	<u>4,970,824.17</u>

7. Cash and cash equivalent

	GH¢'000
Per trial balance	756,000
Advance from businessmen unutilized: (200,000-80,000)	<u>120,000</u>
	<u>876,000</u>

8. Receivables

	GH¢'000
Per trial balance	1,350,000
Interest Receivable	13,000
Rent Receivable	<u>15,000</u>
	<u>1,378,000</u>

9. Valuation of closing stock

	GH¢'000
Net Realizable value	75,000
Less expired drugs	<u>(20)</u>
	<u>74,980</u>

10. Payables

	GH¢'000
Sundry Creditors	171,000
13.5% SSF	<u>285,000</u>
	<u>456,000</u>

11. Non-Current Assets Schedule

	Equipment 8years (¢000)	Building 50 years (¢000)	Motor vehicle 10 years (¢000)	Software 5 years (¢000)	Totals (¢000)
Cost	825,000	1,822,500	1,200,000	15,000	3,862,500
Addition	<u>200</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>200</u>
	<u>825,200</u>	<u>1,822,500</u>	<u>1,200,000</u>	<u>15,000</u>	<u>3,862,700</u>
Accum Depn	(55,000)	(91,125)	(180,000)	(6,000)	(332,125)
Charge for the yr.	<u>(103,145.83)</u>	<u>(36,450)</u>	<u>(120,000)</u>	<u>(3,000)</u>	<u>(262,595.83)</u>
	<u>(158,145.83)</u>	<u>(127,575)</u>	<u>(300,000)</u>	<u>(9,000)</u>	<u>(373,580)</u>
Net Book Value	<u>667,054.17</u>	<u>1,694,925</u>	<u>900,000</u>	<u>6,000</u>	<u>3,267,979.17</u>

c) **Notes to the Financial Statements**

Relevant accounting policies applied to the preparation of the financial statements include the following:

- **Compliance with IPSAS and PFM Act.**

The financial statements have been prepared in conformity with the Financial Management Act, 2016(Act 921), Public Financial Management Regulation 2019 L.I 2378 and the International Public Sector Accounting Standards (IPSAS).

- **Basis of accounting.**

The financial statements have been prepared on an accrual basis where transactions and events are recognized as and when they occur.

- **Cost measurement.**

Assets are measured on a historical cost basis except for motor vehicles donated to the assembly, which was measured and recognized at fair value.

- **Consumption of fixed assets.**

Consumption of fixed assets is charged using a straight-line basis. The estimated useful life of the assets is as follows:

Asset	Useful life
Laboratory Equipment	8 years
Building	50 years
Motor Vehicles	10 years
Software	5 years

- **Valuation of inventory.**

Inventory of office consumables was valued at lower of cost and current replacement cost in compliance with IPSAS 12: inventory

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

(Total: 20 marks)

EXAMINER'S COMMENTS

Question One was the most popular among candidates, with almost all attempting it and many achieving high scores. Overall, candidates performed very well on this question.

A notable weakness observed in candidates' responses was in the disclosure of notes to the financial statements. While many candidates were able to state the accounting policies applied, several struggled to properly formulate these policies as part of the required disclosure notes. Candidates are encouraged to pay greater attention to this area, as it offers an opportunity to earn easy marks. Additionally, some candidates were unable to correctly classify account items in accordance with the Chart of Accounts of the Government of Ghana. Others failed to structure the financial statements appropriately. Candidates are strongly advised to familiarize themselves with both the Chart of Accounts and the relevant provisions of *IPSAS 1: Presentation of Financial Statements*. The Institute's Study Manual can be a valuable resource in helping address these lapses.

QUESTION TWO

a) Bontefufu District Assembly

i) **Difficulties encountered in determining the cost of internally developed software**

Accounting principles state that for an item to be recognised as an asset, the economic benefit or service potential of the asset must flow to the entity and the cost or fair value can be measured reliably. This concept underpins recognition criteria for all assets, whether tangible or intangible.

In accordance with IPSAS 31, there are two key difficulties entities encounter in assessing the cost and whether an internally generated software qualifies for recognition as an asset because of these key problems:

- Identifying whether and when there is an identifiable asset that will generate expected future economic benefits or service potential, and availability of identifiable assets in an open market where costs attributable to the internally generated asset meet all the criteria and requirements of similar assets measured on accrual basis IPSAS, and
- The difficulty in determining the cost of the assets reliably. In some cases, the cost of generating an asset internally cannot be distinguished from the costs of maintaining or enhancing the entity's internally generated goodwill or of running day-to-day operations. The entity's costing system must measure reliably the cost of generating an asset internally such as salary and other expenditure incurred in securing logos, copy rights, or licences or developing the computer software.

(4 marks)

ii) To assess whether an internally developed software meets the recognition criteria, two critical cost classification techniques must be met by Bontefufu District Assembly.

The Assembly must be able to distinguish between the RESEARCH PHASE and the DEVELOPMENT PHASE (not only the costs involved).

The Standard states that no intangible assets arising from research phase of an internal project shall be recognised as an intangible asset, expenditure on *research phase* shall be recognised as expense for the period when they are incurred.

However, costs arising from *development phase* of an internal project to create intangible assets shall be recognised if and only if the entity can demonstrate **ALL** the following,

- The technical feasibility of **completing** the intangible asset so that it will be available for use or sale,
- Its **intention** to complete the intangible asset and use or sell it,
- Its **ability** to use or sell the intangible asset,
- How the intangible asset will generate **probable future economic benefits** or service potential. Among other things, the entity must demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset,
- The **availability** of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- Its ability to **measure reliably** the expenditure attributable to the intangible asset during its development.

Therefore, Bontefufu District Assembly must demonstrate and ensure that **all** the above conditions in developing its internally generated software are met.

(6 marks)

b)

i) Ministry of Home Affairs

Calculation of the cost of the Generator assets which should be the deemed cost of the cost of the two V8s.

The Gensets acquired in year 2019 ----	---	GH¢ 546,800
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Annual Depreciation	=	546,800 – 2,000/8
	=	544,800 / 8

Annual or yearly Depreciation chargeable to statement of financial performance from year 2019 to year 2021 -- -- -- 68,100.00

The net book value of the asset in year 2022 (prior to year-end) is net book value at the end of year 2021 i.e.

Depreciation during years 2019, 2020, 2021,	
Depreciation 2019 ----	68,100
2020 ----	68,100
2021 ----	<u>68,100</u>
	204,300

Net Book value at the end of year 2021	=	
Cost of Asset =====		546,800
Less Accumulated Depreciation ==		<u>204,300</u>
31/12/2021 NBV		<u>342,500</u>

NBV B/F as at 1/1/2022	=	342,500
Revaluation/Current Value	=	<u>423,650</u>
Revaluation Surplus	=	<u>81,150</u>

Depreciation for year 2022

Revalued amount of asset	=	423,650
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Calculation of Depreciation on the rest of useful life	=	423,650/5
Annual Depreciation from year 2022	=	84,730

Asset Value at the end of year 2022	
At 31/12/2022 Revalued amount of Asset	= 423,650
Depreciation for the year	= <u>84,730</u>
NBV (31/12/2022)	= <u>338,920</u>

1/1/2023 – Net Book Value B/F	=	338,920
Restated value of Asset	=	<u>251,650</u>
Impairment recognised	=	<u>87,270</u>

Depreciation of Assets in 2023

Current value of asset	==	251,650
Depreciated based on the rest of useful life =		251,650/4
Annual Depreciation		62,912.50

Determination of NBV as at 31/12/2023

1/1/2023 Balance b/f	=	338,920.00
Annual Depreciation	=	<u>62,912.50</u>
	=	276,007.50
Less Impairment	=	<u>87,270.00</u>
31/12/2023 NBV*	=	<u>188,737.50</u>

The cost at which the two Toyota Land Cruisers would be carried in the books of Ministry of Works & Employment is **GH¢188,737.50**.

(This gives you same results as $251,650.00 - 62,912.50 = 188,737.50$) (that is the restated value less annual depreciation for that year)

(8 marks)

ii)

Capital Reserve b/f	=	102,345.00
Impairment Loss (not exceeding the prior year revaluation surplus)	=	<u>81,150.00</u>
31/12/2023 Capital Reserves c/d	=	<u>21,195.00</u>

(2 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Overall, the question was poorly answered despite being a standard question without ambiguities. Only a few candidates scored 10 marks and above, while many did not attempt the question at all.

In sub-section (a), most candidates struggled to explain the difficulties in determining the cost an internally developed software for capitalisation and the conditions necessary for qualifying assets as required. Similarly, in sub-section (b), most candidates could not determine the deemed cost of the V8 vehicle exchanged between the two Ministries. Another challenge in the responses is lack of coherent presentation of responses, which makes it difficult to assess.

It is recommended that candidates thoroughly study the relevant IPSAS and make use of high-quality reading materials in preparation for the Institute's examinations.

QUESTION THREE

a)

i) **The concept of the Treasury Single Account (TSA) in the context of the PFM Act.**

A TSA is a unified structure of government bank accounts that gives a consolidated view of government cash resources and into which all government cash including moneys received by covered entities shall be deposited and from which all expenditure of government and covered entities shall be made.

Based on the principle of unity of cash and the unity of treasury, a TSA is a bank account or a set of linked accounts through which the government transacts all its receipts and payments.

The principle of unity of cash and treasury, follows from the fungibility of all cash irrespective of its end use. While it is necessary to distinguish individual cash transactions for control and reporting purposes, this purpose is achieved through the accounting system and not by holding/depositing cash in transaction specific bank accounts. This enables the treasury to delink management of cash from control at a transaction level.

(2 marks)

ii) **Benefits the implementation of TSA would bring to the Government of Ghana.**

- **Ensures effective aggregate control over government cash balances.** The consolidation of cash resources through a TSA arrangement facilitates government cash management by minimizing borrowing costs. In the absence of a TSA, idle balances are maintained in several bank accounts.
- **Improves appropriation control.** The TSA ensures that the MoF has full control over budget allocations and strengthens the authority of the budget appropriation. When separate bank accounts are maintained, the result is often a fragmented system, where funds provided for budgetary appropriations are augmented by additional cash resources that become available through various creative, often extrabudgetary, measures.
- **Improves operational control during budget execution.** When the treasury has full information about cash resources, it can plan and implement budget execution in an efficient, transparent, and reliable manner. The existence of uncertainty regarding whether the treasury will have sufficient funds to finance programmed expenditures may lead to sub-optimal behavior by budget entities, such as exaggerating their estimates for cash needs or channeling expenditures through off-budget arrangements.
- **Reduces bank fees and transaction costs.** Reducing the number of bank accounts results in lower administrative cost for the government for maintaining these accounts, including the cost associated with bank reconciliation, and reduced banking fees.
- **Enables efficient cash management.** TSA facilitates regular monitoring of government cash balances. It also enables higher quality cash outturn analysis to be undertaken (e.g., identifying causal factors of variances and distinguishing causal factors from random variations in cash balances).

- **Lowers liquidity reserve needs.** TSA reduces the volatility of cash flows through the treasury, thus allowing it to maintain a lower cash reserve/buffer to meet unexpected fiscal volatility.

(1.5 marks for each for any four points = 6 marks)

iii) **Key transitional arrangement subscribed in the Public Financial Management Regulation 2019, L.I. 2378 for the implementation of TSA in Ghana.**

As part of the transitional arrangements for the Treasury Single Account, the bank account rationalization shall progressively be implemented based on the Treasury Single Account strategy of Government. The transitional arrangements for bank account rationalization includes:

- the closure of all dormant bank accounts as determined by the Controller and Accountant-General in collaboration with the covered entities.
- Application of GIFMIS to all transaction relating to consolidated, internally generated fund and donor fund.

(2 marks)

- b) Core functions of the Budget office and Budget committees in a memo to the newly appointed Principal Spending Officer of Nkawie College of Education.

MEMO – NKACCO

From: Director of Finance
To: Principal
Date: 10 July 2025
Subject: Functions of the Budget Office and Budget Committees

With reference to our discussion, I present to you per the above subject for your information:

Functions of the budget office (Sec 10, PFM Act 2016, Act 921)

The Ministry shall have an office known as the Budget Office. The Budget Office shall be responsible for:

- 1) the preparation of the annual estimates and Medium-Term Expenditure Framework within the constraints specified in the Government's Fiscal Strategy Document;
- 2) the preparation of the mid-year review and half-yearly budget implementation reports under sections 28 and 34;
- 3) advising the Minister through the Chief Director on all matters related to the annual budget, supplementary budget and the Medium Term Expenditure Framework;
- 4) advising the Chief Director on matters related to the classification of the budget and systems required to prepare the budget; and
- 5) perform any other function assigned by the Chief Director.

Functions of Budget Committees (Reg. 26(2), PFMR 2019, L.I. 2378)

The law requires a covered entity to establish a budget committee which consists of the

- Principal Spending Officer, who is the chairperson; and
- Heads of Budget Management Centres or Cost Centres.

A budget committee shall:

- 1) review and formulate the strategic plans based on the policies of Government;
- 2) review the revenue collection activities of a covered entity;
- 3) allocate resources based on budget programmes and sub-programmes of the covered entity;
- 4) coordinate and consolidate the budget;
- 5) monitor and evaluate budget performance; and
- 6) present a quarterly report to a Principal Account Holder.

I trust these provisions in the law would assist us in complying with the provisions in the legislation on budget preparation and management as it is a core mandate for every PSO to establish a budget committee and ensure it function accordingly.

Thank you.

(1 mark each for 4 functions in each category = 8 marks, 2 marks for memo format, Total 10 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Overall, performance on this question was commendable. Sub-section (a) was well understood, with most candidates demonstrating a clear grasp of the concept and presenting their responses in a well-structured manner. However, many candidates struggled with the part of the question relating to the transitional arrangements for the implementation of the Treasury Single Account (TSA). For section (b), most candidates provided convincing responses. That said, a few candidates failed to present their answers in a proper report format, which affected the overall quality of their write-up.

QUESTION FOUR

a)

- i) **COMMUNITY WATER AND SANITATION AGENCY
COMMON SIZE STATEMENT OF FINANCIAL PERFORMANCE FOR THE
YEAR ENDED 31 DECEMBER 2023.**

	2023	2022	2021
	%	%	%
Revenue	100	100	100
Cost of operations:			
Production cost	17.42	18.22	18.74
Transmission/boostering cost	1.54	1.50	1.66
Distribution cost	14.37	13.96	14.90
Commercial / marketing cost	12.25	14.09	15.89
Total cost of operations	(45.58)	(47.77)	(51.19)
Gross profit/(loss)	54.42	52.23	48.81
Other income	1.25	1.49	1.46
Profit/(loss) before finance cost	55.68	53.72	50.26
Finance cost	(17.28)	(18.74)	(17.68)
Profit/(loss) for the year	38.40	34.98	32.58

Note that the question required for the common size statement of financial performance specifically for 2023, however the comparative common size data is implied for analyzing and discussion the performance of the entity.

(7 marks)

- ii) **REPORT**

ANALYSIS OF THE PERFORMANCE OF COMMUNITY WATER AND SANITATION AGENCY FOR THE YEAR ENDED 31 DECEMBER 2023

Following the computation above, the following analysis can be drawn. The company's performance in terms of profitability for the year 2023 was very impressive as it appears that better cost control measures were adopted by the Company.

COST ANALYSIS

Production costs decreased over the period. This is because in 2021 it's stood at 18.74% in relation total revenue and in 2022 it decreased to 18.22% and in 2023 it further as decreased to 17.42% of the total revenue.

Distribution Cost also slightly decreased in 2022 (13.96%), in comparison with 2021(14.90%) and 2023 (14.37%).

The Company's finance cost decreased in 2023 (17.28%) as compared to 2021 (17.68%). This could be a result of a reduction or repayment in some of the loans contracted by the company over the years.

Commercial Cost also reduced from 15.89% of total revenue in 2021 to 12.25% of total revenue in 2023.

CONCLUSION

From the analysis and computation above profit for the year 2023 increased as compared to 2021 of 32.58%. This might be as a result of cost-effective and cost-control measures adopted by Nation's Water Company Limited of Ghana which yielded better results.

(10 marks)

b) Usefulness of Common Size Analysis:

- i) **Simplified Comparisons:** By expressing each item as a percentage of a base (e.g., total assets or revenue), common size statements remove the impact of size differences, making it easier to compare companies of varying scales.
- ii) **Trend Analysis:** They help identify trends and changes in financial performance over time by showing how individual items have changed as a percentage of the base.
- iii) **Benchmarking:** Common size statements enable companies to benchmark their performance against industry averages or competitors, revealing areas where they may need to improve.
- iv) **Decision-Making:** By highlighting key areas of strength and weakness, they help stakeholders (investors, creditors, management) make more informed decisions about a company's financial health and performance.

(3 relevant points @ 1 mark each = 3 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Overall, candidates performed well on this question, with the majority scoring above 10 marks. Candidates were generally able to interpret and evaluate the common-size data effectively. Most candidates also accurately computed all the required figures for the common-size financial performance.

QUESTION FIVE

a)

- i) A resource is an item with service potential or the ability to generate economic benefits. Physical form is not a necessary condition of a resource.

Service potential is the capacity to provide services that contribute to achieving the entity's objectives. Service potential enables an entity to achieve its objectives without necessarily generating net cash inflows. The service potential or ability to generate economic benefits can arise directly from the resource itself or from the rights to use the resource.

Some resources embody an entity's rights to a variety of benefits including, for example, the right to:

- Use the resource to provide services;
- Use an external party's resources to provide services, for example, leases;
- Convert the resource into cash through its disposal;
- Benefit from the resource's appreciation in value; or
- Receive a stream of cash flows.

(3 marks including at least 2 examples resources embody in rights)

“Presently controlled by the entity”

An entity must have control of the resource. Control of the resource entails the ability of the entity to use the resource (or direct other parties on its use) so as to derive the benefit of the service potential or economic benefits embodied in the resource in the achievement of its service delivery or other objectives.

In assessing whether it presently controls a resource, an entity assesses whether the following indicators of control exist:

- Legal ownership;
- Access to the resource, or the ability to deny or restrict access to the resource;
- The means to ensure that the resource is used to achieve its objectives; and
- The existence of an enforceable right to service potential or the ability to generate economic benefits arising from a resource.

While these indicators are not conclusive determinants of whether control exists, identification and analysis of them can inform that decision.

(3 marks including at least 2 indicators of control)

ii) **Other Elements of Financial Statement with reference to the conceptual framework.**

- **Liability:** a present obligation of the entity for an outflow of resources that results from a past event.
- **Revenue:** Increases in the net financial position of the entity, other than increases arising from ownership contributions.
- **Expense:** Decreases in the net financial position of the entity, other than decreases arising from ownership distributions.
- **Surplus or Deficit for the Period:** The entity's surplus or deficit for the period is the difference between revenue and expense reported on the statement of financial performance.

- **Ownership Contribution:** Inflows of resources to an entity, contributed by external parties in their capacity as owners, which establish or increase an interest in the net financial position of the entity.
- **Ownership Distribution:** Outflows of resources from the entity, distributed to external parties in their capacity as owners, which return or reduce an interest in the net financial position of the entity.

(1 mark each for any 4 explained = 4 marks)

- b) The Lord Nolan's seven principles of public life provides the framework and sets the benchmark for ethical values which must serve as the minimum standard for those who serve in public office as public servants. The principles are applicable to public servants in other sectors of the public delivering public service.

The seven principles promulgated as the benchmark for public office holders or public servants are:

- **Selflessness:** The principle states that, those who hold public office or serve the public must exercise humane qualities of selflessness. Public servants are expected to show dedication to duty for good of the public and take decisions solely in terms of public interest. They should not do so with the intent of gaining financially or other material benefits for themselves, their family and friends.
- **Integrity:** Integrity transcends significant human qualities. In that vein the public servant must possess values of self-control, self-awareness, justice, equity and fairness. The public servant must take decisions that are not self-centered. They must not be self-seekers but must have the ability to work for the good of the others and the society. They should not put themselves in the position that seeks to influence them or place them under financial obligation before they deliver their duties. They should exhibit Integrity in the ability to be consistent with stated values or principles, and be trustworthy, as well as faithful to ones' words. Integrity in its wider sense is potentially valuable. Integrity in public office is about being true not only to oneself but importantly true to one's purpose, calling and to the course of the public interest. It requires a high sense of duty to office and duty to the public.
- **Objectivity:** The public servant is expected to exhibit impartiality in his judgement. Objectivity though not a universal value yet public servants are supposed to show objectivity in all their dealings to the public. The principles of natural justice and good conscience in dealing with matters would make service delivery uniform, fair and standardized thereby eliminating suspicion of discrimination or bias. The Nolan concept bases objectivity on the grounds that in carrying out public business, holders of public office should make choices on merit using the best evidence and taking decision with impartiality, fairly and on sound merit.
- **Accountability:** The Nolan principles states that holders of public office are accountable for their decisions, choices and actions to the public and must submit themselves to public scrutiny appropriately for the roles they played in public office. Public office is governed by law, and Public office holders who are entrusted with public funds, resources and all assets of the public entity or the nation must be accountable and be ready to account. The

principle upholds that, public officers must be legally accountable and can be summoned to account for their actions under any authority or court of Law. It is said that ‘to whom much is given, much is desired’ for that matter as public officers who have public resources under their control must be ready to subject themselves to strict accountability to the public. In addition, public officers make a lot of decisions and give certain directives in line of duty, public officers must be answerable and accountable for all these decisions which are supposed to be made for public good. The principle expects the public office holders to subject themselves to public scrutiny and questioning.

- **Openness:** Openness is a contingent virtue. The principle upholds that public servants or public office holders should be as open as possible about all the decisions and actions that they take. The public servants are expected by this concept to give reasons for their decisions and restrict information only when the wider public interest clearly demands it. Each circumstance in public service is unique. While in one instance a public servant would be required by duty to be open, there are equally compelling situations where the public office holder is expected to handle matters with absolute confidentiality.
- **Honesty:** The general demand of this principle lies with the public office holder the duty to declare any private interest relating to their public duties and take steps to resolve any conflict of interest arising in a way that protects the public interest. As postulated by Lawton, Public service is a public trust, the public entrusts the public service to public servants or office holders to act on its behalf and not pursue personal gains. The confidence and trust in, and respect for, the authorities by the members of the public depends on public servants being honest and being seen to be honest.
- **Leadership:** Leadership relates in literature to all sorts of relationships, for instance running programmes, motivating others or leading courses of action which demonstrates that leaders are in charge ensuring that the goals of the team is achieved. It is on such bases it has been said that ‘Leaders are born, and on some other occasions the advocacy states that ‘leaders are made’. However, the Nolan principles are ostensibly directed at people invested with senior office and those in decision making capacity. And this is a kind of leadership where the leadership expected in this context is the one that shows moral effect where leaders are to demonstrate normatively appropriate conduct through personal actions and interpersonal relationships, and promote such conducts through the two-way communication, re-enforcement and decision making processes.

Virtue ethics

Despite the above principles being advocated by Lord Nolan and his Committee, Lawton and his team also postulated that, It may be impossible to specify all the rules and standards that are relevant but it is clearly possible to establish a set of approaches and procedures that dispose people to the public good that is at the core of every professional code. ***Virtuous conduct*** is a matter of disposition, reflection, discussion, and awareness, which has:

- ***moral sensitivity,***
- ***the exercise of moral reasoning or judgement,***
- ***moral motivation (the place accorded to moral values) and***
- ***moral character,***

not simply following pre-set rules as stated by the seven principles. These *virtue ethics* are more likely to have an in-depth impact on the total human behaviour which is more pragmatic to deliver overarching public service.

Lawton argues that, in virtue-based system the emphasis falls on the character, awareness and ethical considerations made by the public office holder rather than the specific content of actions as spelt out in the seven principles.

Lawton therefore opined that this is probably what the Nolan Committee on Public Standards in respect of the seven principles of public life is looking for, too, when it suggests it is looking for behavior to be set in the context of an ethical culture.

(10 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Section (a) of the question appeared to be quite basic; however, many candidates scored below 10 marks, which was discouraging. A common weakness was the inability to explain the term "resource" within the definition of an asset. Additionally, many candidates struggled to list the elements of financial statements beyond assets - often mistakenly referring to the components of financial statements instead. Candidates are encouraged to strengthen their understanding of the fundamental conceptual issues in public sector accounting to improve performance in such areas.

The first part of Section (b) was very well answered by most candidates. However, some candidates mistakenly cited the fundamental principles of professional ethics instead of the principles of public life, as required by the question. Additionally, the connection between Lawson's virtue ethics and the principles of public life was poorly articulated by many.

CONCLUSION AND RECOMMENDATIONS

Based on the observations, the following recommendations are proposed:

- **Ample preparation.** Candidates should allocate sufficient time to prepare for the examination. Utilizing tuition services of Partners in Learning (PIL) and studying ICAG Study Texts and Question Banks are highly encouraged. Candidates should aim to dedicate at least 6 hours per week to studying the subject, in addition to attending lectures.
- **Broad coverage of syllabus.** Candidates should avoid focusing excessively on specific topic areas, as the examination covers a wide range of subjects. It is essential for candidates to have a comprehensive understanding of all topics in the syllabus, as they are equally examinable.
- **Effective time management.** Time management is crucial for success in the examination. Candidates should allocate time to each question based on its mark or weight. For instance, a 10-mark question should be allotted 18 minutes for a response.
- **Avoid temptation of underestimating the Paper.** Candidates who are exempted from all subjects in level two except this paper, particularly PhD, MPhil, MBA and MSC Exempt Candidates, should refrain from underestimating its importance. The paper requires current knowledge and practical appreciation of public sector financial management issues.