

**NOVEMBER 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 questions were of an appropriate standard, with a balanced spread that fairly reflected the examination syllabus, an approach that is highly commendable. The allocation of marks was fair and appropriately aligned with the weighting of the various topics in the syllabus. Candidates' responses were generally satisfactory, and a pass rate of 29 percent was recorded for this diet.

STANDARD OF THE PAPER

The questions were of an appropriate standard, demonstrating broad syllabus coverage, clear requirements, internal consistency, and suitable mark allocation. The examination consisted of five questions with sub-questions and sub-sub-questions, which facilitated comprehensive assessment of the syllabus content. Overall, the questions reflected the expected level of knowledge prescribed by the syllabus. Cognitively, they were well aligned with Bloom's Taxonomy, with a strong focus on application and analysis as required by the learning outcomes.

PERFORMANCE OF CANDIDATES

Overall, candidates' performance in the examination was fairly good, with a few candidates achieving outstanding results. This level of success can be linked to the quality of the examination questions and the evident preparedness of candidates, aided by the Study Manual and Question Bank made available by the Institute. Prospective candidates are encouraged to make full use of these resources and other recommended reading materials to enhance their readiness for future examinations.

NOTABLE STRENGTHS AND WEAKNESSES OF CANDIDATES

A number of recurring weaknesses were noted in candidates' responses across the examination:

- Some candidates demonstrated difficulty in understanding and responding to the specific demands of questions. For instance, in Question 3, candidates were required to explain why a country should subscribe to a PEFA assessment; however, several candidates instead described the pillars of public financial management under the PEFA framework.
- A noticeable number of candidates appeared to concentrate heavily on select topics - particularly the preparation of financial statements, while neglecting other areas of the syllabus. This narrow focus resulted in their inability to attempt all questions, reducing their overall prospects of success.
- Time management proved challenging for several candidates. Excessive time was spent on certain questions, especially those involving financial statement preparation, leaving insufficient time to complete the entire paper. This negatively affected total scores.
- There were instances where candidates' responses suggested minimal or no preparation for the examination. Such responses reflected a lack of understanding of fundamental concepts. Given the rigorous standards of ICAG's examination process, candidates who enter the examination unprepared are unlikely to succeed. Prospective candidates are strongly advised to prepare thoroughly before sitting for the examination.

QUESTION ONE

The transactions and events below relate to Tepa Government Hospital for the year ended 31 December 2024:

	GH¢'000
Government subvention	245,000
Pharmaceutical sales (i)	156,000
Laboratory fees	28,000
Mortuary fees	1,800
Non-established post salaries	12,200
Established post salaries	102,500
Seminar and workshop	32,000
Purchase of X-Ray machine (ii)	122,400
Incubator donated by an NGO	45,000
Motor vehicle transferred to the Hospital (iii)	56,600
Sale of obsolete equipment	6,700
NHIS claims reimbursements	33,500
Travel allowance	500
Consumption of fixed assets	13,200
Insurance	1,100
Impairment of cash generating assets	5,400
Rent from canteen	1,000
Annual lease payment	26,500
Loan from GCB Bank	200,000
Repayment of Loan	25,000
Provision for uncollectible revenues	400
Cost of free medical screening (iv)	8,400
Out-patient consulting fees	34,000
Office consumables	21,000
Exchange difference (loss)	33,300
Borrowing cost	2,600
Cost of internally developed software	45,000
Donor partner support (v)	150,000
Bad debt written off	10,000
Impairment of non-cash generating assets	5,800
Payment to suppliers of medical consumables	7,500
Repairs and maintenance	18,000
Physiotherapy service fees	69,500
Ambulance service charges	12,500
Blood bank service fees	700
Cash and cash equivalent at 31 December 2024	100,000
Donations from international agencies	80,400

Additional information:

- i) The pharmaceuticals are sold on cash and carry basis, however 20% were sold to patients under the National Health Insurance Scheme. The claims made for reimbursement is yet to be received.
- ii) Only 40% of the cost of the X-ray equipment has been paid in cash. The balance will be settled in March 2025 under the contract.
- iii) Two cross-country vehicles were received from the Ministry of Health, the cost of which was set off against the government subvention due to the hospital.
- iv) The hospital undertook general medical screening for deprived communities at a full cost to the hospital. Better Ghana, a non-governmental organisation (NGO) promised to absorb the cost incurred.
- v) The donor support was 30% in kind and 70% in cash.

Required:

- a) Prepare a Cash Flow Statement for Tepa Government Hospital for the year ended 31 December 2024 in line with **IPSAS 2: Cash Flow Statements** and the current chart of account of government using the direct method. **(16 marks)**
- b) Identify **TWO** advantages of direct method of deriving the cash flow from operating activities. **(4 marks)**

(Total: 20 marks)

QUESTION TWO

a) Implementation of IPSAS requires a significant amount of financial resources. However, the current economic situation of government makes it difficult to provide the necessary funds for the implementation despite government effort to reform Public Financial Management.

Required:

Justify **FOUR** reasons the Minister for Finance should prioritise resource allocation to IPSAS implementation in the 2026 budget. **(6 marks)**

b) The Ministry of Fisheries and Aquaculture Development has acquired some amount of pre-mixed fuel to be distributed to fisherfolks to boost their trade and in effect lower cost of fish on the market. The stock of fuel was deposited at Elmina fishing landing site. The cost of the fuel was booked at GH¢2,500,000.

The Ministry distributes this fuel product to the boat owners at the site after incurring additional GH¢100,000 for transportation and other direct handling charges to the site.

The fuel is supposed to be supplied on revolving basis where what is distributed is supposed to be replaced. Due to the fluctuation of fuel price on the international market, it will take the Ministry additional GH¢200,000 to replace the fuel for distribution to the fisherfolk.

Required:

i) Explain how the fuel should be valued under **IPSAS 12: Inventories**. **(4 marks)**

ii) Determine the value at which the fuel should be carried in the books of the Ministry. **(2 marks)**

c) The objective of **IPSAS 39: Employee Benefits**, is to prescribe the accounting and disclosure for employee benefits. The standard requires an entity to recognise:

- i) A liability when an employee has provided service in exchange for employee benefits to be paid in the future, and
- ii) An expense when the entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

Required:

Distinguish **FOUR** features between **defined contribution plans** and **defined benefit plans**. **(8 marks)**

(Total 20 marks)

QUESTION THREE

a) The Public Expenditure and Financial Accountability (PEFA) framework is a globally recognised tool for assessing the strengths and weaknesses of a country's Public Financial Management (PFM) system. It has gained prominence in most countries largely due to the robustness of its scoring methodology. The PEFA framework is founded on 7 pillars with 31 indicators.

Required:

i) Explain **TWO** outcomes of an orderly and open PFM system under the PEFA framework of assessment. **(2 marks)**

ii) Explain **FOUR** pillars of the PEFA framework and state **ONE** indicator under *each* pillar. **(8 marks)**

b) According to section 54 of the Public Financial Management (PFM) Act 2016, (Act 921), the Ministry of Finance shall have an office that is responsible for public debt management and which shall be under the supervision of the Chief Director in accordance with the Civil Service Act, 1993 (PNDC Law 327).

Required:

Outline **FOUR** functions of the Public Debt Management Office of the Ministry of Finance under the PFM Act 2016, (Act 921). **(6 marks)**

c) Under the public financial management system in Ghana, virement is the reallocation of funds from one budget line to another budget line. Under the Public Financial Management Act 2016, (Act 921), the Minister for Finance on the request of a principal spending officer, execute a virement in respect of an amount of money allocated to the covered entity of that spending officer. However, regulation 27 of the public financial management regulations 2019, (L.I. 2378) prohibits certain types of virement transactions.

Required:

Explain **FOUR** prohibitions of the use of virement under the Public Financial Management Regulations 2019. **(4 marks)**

(Total: 20 marks)

QUESTION FOUR

The following information relate to two public universities in Ghana for the 2024 financial year:

Statement of Financial Performance for the year ended 31 December 2024

	Sunyani Technical University	Bolgatanga Technical University
Revenue	GH¢	GH¢
Gog Grant	12,970,100	10,010,000
Internally Generated Fund	11,610,900	14,427,492
Donations, Gifts And Grants	<u>3,217,500</u>	<u>3,066,828</u>
Total	<u>27,798,500</u>	<u>27,504,320</u>
Expenditure		
Compensation Of Employees	9,322,300	8,385,270
Use Of Goods And Services	4,085,253	3,237,444
Consumption Of Fixed Assets	700,300	500,720
Interest	500,000	450,720
Other Expenses	<u>63,900</u>	<u>64,214</u>
Total	<u>(14,671,753)</u>	<u>(12,636,368)</u>
Surplus	<u>13,126,747</u>	<u>14,867,952</u>

Statement of Financial Position as at 31 December 2024

	Sunyani Technical University	Bolgatanga Technical University
Non-Current Assets	GH¢	GH¢
Property, Plant and Equipment	11,976,100	10,028,000
Investment Property	17,312,000	14,250,000
Software	<u>28,806,000</u>	<u>24,278,000</u>
	<u>58,094,100</u>	<u>48,556,000</u>
Current Assets		
Cash And Cash Equivalent	9,264,810	7,294,233
Inventory	7,159,500	5,458,689
Receivables	<u>14,633,000</u>	<u>11,155,254</u>
	<u>31,057,310</u>	<u>23,908,176</u>
Total Assets	<u>89,151,410</u>	<u>72,464,176</u>
Liabilities And Fund		
Current Liabilities		
Payable	16,286,844	11,474,024
Non-Current Liabilities:		
Bank Loans	<u>28,850,000</u>	<u>22,508,600</u>
Total Liabilities	<u>45,136,844</u>	<u>33,982,624</u>
Accumulated Fund	<u>44,014,566</u>	<u>38,481,552</u>
Total Liabilities and Fund	<u>89,151,410</u>	<u>72,464,176</u>

The following information may also be relevant.

i)

	Sunyani Technical University	Bolgatanga Technical University
Population	150,000	136,000

ii) The Property, Plant, and Equipment balances of Bolgatanga Technical University and Sunyani Technical University at the carrying amount at the beginning of 2024 were GH¢9,200,000 and GH¢7,600,000 respectively.

Required:

- a) Compute the following accounting ratios of the two Universities, respectively:
 - i) Goods and Services to Total Internally Generated Fund (IGF).
 - ii) GoG Grant per capita.
 - iii) Goods and Services per capita.
 - iv) Productivity ratio (revenue to expenditure).
 - v) Quick Ratio.
 - vi) Cash Ratio.
- vii) Internally Generated Fund (IGF) to Capital Expenditure (CAPEX).
- viii) Debt to total assets.

(12 marks)

b) Using the metrics above, write a report on the performance of the two universities under ***financial performance, short-term liquidity and long-term solvency.*** **(8 marks)**

(Total: 20 marks)

QUESTION FIVE

a) In recent times, the issue of duplication of efforts by security agencies have been discussed at various fora. Some Ghanaians generally do not understand the clear dichotomy between the Office of the Special Prosecutor (OSP) and that of the Economic and Organised Crime Office (EOCO).

It is important to indicate that, the establishment of both institutions are backed by Acts of Parliament and provide oversight in the management of public resources and ethical conducts of public officers.

Required:

With reference to the EOCO Act 2010, (Act 804) and the OSP Act 2017, (Act 959):

i) Identify **TWO** objects **each** of the Economic and Organised Crime Office and the Office of the Special Prosecutor. **(4 marks)**

ii) Recommend **THREE** ways by which the two entities can collaborate to achieve their mandate. **(6 marks)**

b) Internal Audit in public sector refers to an independent objective assurance and consultancy activity designed to add value and improve an organisation's operation. Public Financial Management Act 2016, (Act 921) requires all public sector entities to have a functioning Internal Audit Unit. Further, Internal Auditors have certain rights to enable them perform their functions.

Required:

With reference to Public Financial Management Act 2016, (Act 921):

i) Explain **FOUR** functions of Internal Auditors. **(4 marks)**

ii) Explain **TWO** rights of Internal Auditors in public sector organisations. **(2 marks)**

c) Stakeholders play an important role in public sector governance. One of such reasons for engaging stakeholders in public sector governance is the fact that they represent a wide range of interests, including citizens, communities, civil society organizations, businesses, and government agencies. Engaging with stakeholders ensures that governance decisions take into accounts the diverse perspectives, needs and concerns of different stakeholders.

Required:

Explain **FOUR** other reasons for stakeholders' engagement in governance decisions.

(4 marks)

(Total: 20 marks)

SUGGESTED SOLUTION

QUESTION ONE

a)

Tepa Government Hospital		
Cash Flow Statement for the year ended 31 December 2024		
	GH¢'000	GH¢'000
Operating Activities		
Government Subvention	245,000	
Internally generated revenue	305,800	
Grants and Donation	185,400	
Compensation for employees	(115,200)	
Goods and services	(88,000)	
Borrowing cost	<u>(2,600)</u>	
Net cash flow from operating activities		530,400
Investing activities		
Purchase of X-Ray machine	(48,960)	
Sale of obsolete equipment	6,700	
Cost of internally developed software	<u>(45,000)</u>	
Net Cash flow to investing activities		(87,260)
Financing activities		
Annual lease payment	(26,500)	
Loan from GCB	200,000	
Repayment of Loan	<u>(25,000)</u>	
Net cash flow from financing activities		<u>148,500</u>
Net increase in Cash & Cash Equivalent		591,640
Cash and Cash equivalent at 1st Dec 2024		<u>(491,640)</u>
Cash and Cash equivalent at 31st Dec 2024		<u>100,000</u>

Workings:

1.		
Internally Generated Revenues	GH¢'000	
Pharmaceutical sales	124,800	
Laboratory fees	28,000	
Mortuary fees	1,800	
NHIS claims reimbursements	33,500	
Rent from canteen	1,000	
Out-patience consulting fees	34,000	
Physiotherapy service fees	69,500	
Ambulance service charges	12,500	
Blood bank service fees	700	
		305,800

2.		
Grant and donation	GH¢'000	
Donor partner support	105,000	
Donations from inter. Agencies	<u>80,400</u>	
	<u>185,400</u>	
3.		
Compensation for employees	GH¢'000	
Non-established post salaries	12,200	
Established post salaries	102,500	
Travel allowance	<u>500</u>	
	<u>115,200</u>	
4.		
Goods and services	GH¢'000	
Insurance	1,100	
Cost of free medical screening	8,400	
Office consumable	21,000	
Payment to suppliers of medical consumables	7,500	
Repairs and maintenance	18,000	
Seminar and conferences	<u>32,000</u>	
	<u>88,000</u>	

(16 marks evenly spread using ticks)

b) **Advantages of direct method of deriving cash flow from operating activities**

- i) Clearer understanding of cash movements. Lists actual cash receipts and cash payments, making it easy to see where money is coming from and where it's going. Stakeholders can identify key sources of inflows (e.g. patient fees, government subventions) and outflows (e.g. medical supplies, salaries).
- ii) Easier for non-Accountants to interpret. The direct method presents cash flows in plain language – “Cash received from patients” instead of Net surplus adjusted for changes in current assets and liabilities. This makes it more accessible to hospital boards, health ministry officials and donors.
- iii) Improves budgeting and cash management. Detailed breakdown of receipts and payments helps management forecast future cash flows and plan expenditures more precisely.
- iv) Better accountability and transparency. Particularly in the public sector, detailed cash flow disclosure reassures oversight bodies and donors that funds are being used appropriately.
- v) Aligns with IPSAS recommendations. IPSAS encourages the direct method for greater transparency, even though the indirect method is more common in practice.

(2 marks each for any two points explained = 4 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

A key weakness observed was the poor presentation of the Cash Flow Statement. Several candidates failed to classify items in accordance with the Chart of Accounts as required, instead placing all items directly on the face of the statement without appropriate aggregation. Candidates were expected to use the Chart of Accounts to classify revenue and expenditure items and present the summarized amounts in the statement.

In addition, some candidates who attempted classification did so incorrectly. For example, ambulance services were classified as Goods and Services rather than Internally Generated Fund revenue, while travel allowances were frequently presented as Goods and Services instead of Compensation of Employees.

Notably, a number of candidates ignored the requirement entirely and proceeded to prepare a Statement of Financial Performance and a Statement of Financial Position instead. This suggests evidence of rote learning rather than applied understanding. Candidates are encouraged to familiarise themselves with the Chart of Accounts, as well as the format and requirements of the Cash Flow Statement, to improve future performance.

The responses to sub-section (b) were generally disappointing. Many candidates provided broad advantages of Cash Flow Statements to users rather than addressing the specific requirement relating to the direct method. Candidates are reminded to focus their answers on the precise requirements of the question rather than relying on assumptions or generic knowledge. Clear attention to question requirements will be essential for improved performance in future examinations

QUESTION TWO

a) **Justifications for the Minister for Finance to prioritise resource allocation to IPSAS implementation in the 2026 budget.**

Greater accountability and transparency. The need for greater accountability and transparency in public financial management is a good sign of responsible governance. Providers of funds and the international community who support the nation's budgets cannot wait any further for unprofessional way in which the government of Ghana used to present its financial statements under unconventional concept of modified accrual basis of accounting. The need for quality financial reporting as demanded by the Public Financial Management Act, 2019 Act 921, and the regulations are another justifiable reason why the government may wish to go ahead with the IPSAS adoption. The case for Cash Accounting reporting system has virtually outlived its reality in current world where the United Nations has adopted IPSAS and calling on member states to move on to IPSAS to ensure good governance and financial accountability. The adoption of IPSAS will enhance greater accountability which satisfies the stewardship responsibilities of duty bearers in the public sector while the disclosure requirements satisfy the evidence of greater transparency. The adoption would therefore ensure greater clarity and will enable government of Ghana to use the accrual basis of IPSAS to present a universally acceptable financial statement.

Matching of Cost against Revenue and accounting for Depreciation:

The adoption of IPSAS would enable government to match revenue against cost in the periods in which these transactions occur other than being accounted for in the periods in which Cash payments take place. In Central government accounting until the adoption of IPSAS it was not possible to assess the government revenue and expenditure accurately for any period, because transactions were accounted for when cash payments were made and not for the periods in which the transactions occur. This practice is aliened to accounting concepts and conventions and does not lend itself to good financial management practices let alone year-on-year comparison of financial statements to assess improvement or otherwise. The current practice of adopting IPSAS enables government and policy makers to appropriately make prudent projections and reliable financial decisions based on reliable financial data/reports.

Better decision-making. In a well-informed financial environment, effective decision making is anchored on credible and reliable financial information. Investors and providers of capital are looking for credible financial statements as a guide for their decisions. IPSAS compliant financial statement would provide that environment for investors, policy makers, rating agencies, and providers of capital to base their decisions on reliable financial information, as information gap impedes right decision making. The right decisions on the Ghanaian economy could impact other sectors of the economy far more than the financial resources being spent on the adoption and implementation of IPSAS in the public sector. For

instance, effective budgeting and implementation because of IPSAS adoption could impact positively on macroeconomic indicators which could lead to greater benefits to the nation.

Leads to Improved efficiency and coverage. The adoption of IPSAS would enhance effectiveness and efficiency in public financial management, reporting and auditing. The adoption of IPSAS would enhance broader coverage of public sector financial reporting for instance from Consolidated public accounts on Consolidated funds to the current achievement of Whole-of-Government financial reporting. This improved efficiency would also lead to greater stakeholder confidence and reliance on the financial system of the country which will generate a multiplier effect in other sectors of the economy.

Data consistency and application. The adoption of IPSAS will provide the public sector with the usage of all data consistently which satisfies the Consistency concept in accounting. When data is applied consistently, the results provide a trend reliable for effective financial decision making. It also creates the situation for comfort and of acceptability of the results. Supreme audit institutions (SAIs) can access standardised information created using IPSAS to make meaningful judgment and comparison through the application of International Auditing Standards (IAS). The consistent application of accounting practices and treatments under IPSAS are more readily acceptable to auditors which can enhance arriving at reliable audit opinions on the financial statements. For instance, in a cash accounting system, financial statements were prepared based on revenue and expenditure to determined surplus and deficit for a particular year.

By adopting IPSAS, government financial reporting systems have to maintain detailed data base and report on assets and liabilities which by Regulation 154-155 of the Public Financial Management Regulations 2019, L.I.2378 also requires, in effect adoption of IPSAS could lead to improvement in the maintenance of public assets.

Sound financial management. The adoption of IPSAS acts as a catalyst for efficiency in public financial management. Sound financial management promotes accountability, transparency and effective decision-making which could run across the public sector. IPSAS adoption would also drive improved financial management practices in the public sector, providing a robust platform on which internal reporting practices can flourish, and acting as a catalyst for stronger financial reporting which has the tendency of value addition. The adoption of IPSAS would lead to strengthen key pillars of sound financial management practices which hitherto were not effectively adhered to with seriousness in the public financial management system, such as budgeting and budgetary controls, internal controls, internal checks and balances, variance analysis and decision making, accounting for assets and liabilities, financial performance management, strategic investment planning and decisions. The adoption of IPSAS would be a robust platform for forecasting and better financial decision which will support sound financial management system in the public sector.

Professionalisation and access to talent. The adoption of IPSAS would help achieve goal congruence and could create clear career paths for professional accountants who seek the infusion of professional practice into the public sector. This will lead to attraction and retention of quality human resource in the field of accounting to undertake public financial management with high level of professionalism. The public sector would eventually gain as professional accountants are able to apply the required standards efficiently and accurately to transactions and financial statements which would reflect the true situation of financial operations of government. The adoption would therefore raise the bar of public financial reporting in league of nations.

Broader economic and social advantages. IPSAS adoption creates credible socio-economic environment which is a potential for direct foreign investment and capital injection into the economy. This can lead to many countries wanting to do business with/in Ghana, a situation which would enhance the image of the nation in the global community. Countries are likely to use Ghana as a benchmark on IPSAS adoption, and some may visit to have a learning experience in our environment which would result in earning some foreign inflows. As a result of rigorous reporting requirements of IPSAS, careful policy choices and resource allocation would create spin-off benefits for the broader economy in terms of jobs creation, welfare, improved standard of living and quality of life of the citizens through efficient resource utilisation.

Stable Political Climate - The adoption of IPSAS is likely to lower tension in political climate where key debates are usually centred on transparency and accountability. With the adoption of IPSAS, government can put across all matters relating to public finance available in the public financial statements hence stakeholders have the source from which they access reliable information which no one can obliterate, because the IPSAS was applied in the financial reporting. Faithful accountability reforms brought about through IPSAS adoption will help create a more stable governance system, leading to a better investment climate, peace, jobs and better work environment. Adoption of IPSAS can support policy makers in explaining and generating support for the plans for government programmes. IPSAS also calls for the reporting and consolidation process which brings together all stakeholders in the reporting chain. Effective financial reporting through greater disclosure requirement of IPSAS, would lead to more engagement with stakeholders and service users which could improve the stability of the political climate.

Comparability across Jurisdictions and Boundaries. The adoption and implementation of IPSAS by similar institutions within a country and by governments in other jurisdiction makes it possible for comparability of financial statement from one jurisdiction to the other. This is because all the institutions apply same standards in their financial reporting system and are likely to arrive at similar end results. Therefore, financial statements from different jurisdictions could be compared to one another for assessment of financial viability of the sector

or of the country. This could also strengthen uniformity and enhance assessment. As a result, the credibility doubts about financial immaturity of the developing, and less developed countries could be removed or lowered because of the adoption of IPSAS in Ghana.

Accounting for asset and liabilities. Many assets of government are lost due to lack of proper recording and accounting system. This was because the previous reporting system writes off assets in the period in which they were acquired, leaving no room for traceability of the assets during subsequent accounting periods. The adoption of IPSAS demands proper accounting for assets and liabilities, and when these are reported in the statement of financial position, the quality of the financial statement will present some level of credibility before users. In some cases, investors and international rating agencies want to see the debt levels or the worth of assets the country holds. The comprehensive report on these assets and liabilities gives stakeholders clearer view of government's assets and liabilities which effectively impact their actions.

Monitoring and evaluation: As a result of reliable financial information benchmarked to best practices and standards, monitoring and evaluation becomes more effective and provides source of motivation for duty bearers as work performance can be assessed to a standard threshold. The impact of monitoring and evaluation because of IPSAS adoption would send positive signals about the readiness of the government and the country to adhere to accountable governance and effective financial reporting, and this could have very positive returns to the country. The adoption of IPSAS would therefore impact governance and its positive returns cannot be underestimated.

As a Standard of Performance for subsequent Government

The adoption of IPSAS would set a benchmark for standard performance. Once the adoption and application of IPSAS leads public sector institutions to be transparent, accountable and objective in their dealings, successive governments would be bound by the tenets and demands of the IPSAS compliant financial environment leading to suitability and sustainability of good governance. Availability of historical records of IPSAS application would also narrow the learning curve and save cost in government operations by subsequent regimes.

(Four relevant points @ 1.5 marks each = 6 marks)

b)

- i) IPSAS 12 requires that where inventories are acquired through *non exchange transaction* their cost is their fair value as at the date of acquisition.

IPSAS 12 also states that where an item of inventory is provided at no charge or *at a nominal charge*, they are to be valued at the lower of cost and the current replacement cost, that is where they are held for distribution at no charge or for a nominal charge, or where they are held for consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Further, if the inventory is for sale, it valued at lower of cost and net realizable value. The standard also identifies cost of an item of inventory as the cost of the item and direct associated costs/incidental charges incurred in bringing the inventory to its present location and condition.

In the scenario, the fuel is held for distribution at no charge and therefore should be valued at lower of cost and current replacement cost.

(4 marks)

- ii) While the fuel costs GH¢2,500,000 to acquire, transportation and incidental charges of GH¢100,000 raised the cost to GH¢2,600,000.

However, based on the above requirements for then transactions, it is worthy to consider lower of cost and current replacement cost test. In this case the replacement cost is GHS 2,800,000.00, therefore the item of inventory of fuel would be carried at **GH¢2,600,000**, since it is the lower of the two.

(2 marks)

- c) The key distinctions between defined contribution plan and defined benefit plan under IPSAS 39 Employee benefits is as follows:

- i) Nature of the employer's obligation

Under the Defined Contribution Plan, the employer's obligation is limited to fixed contributions into a fund, with no further responsibility if the fund is insufficient. However, under Defined Benefit Plan the employer is obligated to provide the agreed benefits and must cover any shortfall to meet promised payments.

- ii) Risk Bearer

Defined Contribution Plan: The employee bears the actuarial and investment risk under the defined contribution plan but under the defined benefit plan the employer bears the actuarial and investment risk.

- iii) Funding Responsibility

Per Defined Contribution Plan, contributions are typically shared between the employer and the employee, but funding responsibility lies solely with the employer under the defined benefit plan.

- iv) Benefit Determination

Under Defined Contribution Plan, benefits depend on contributions and investment returns, with no guaranteed pay-out. However, defined benefit plan provides predetermined and guaranteed benefits, often based on salary and years of service.

- v) Complexity and Measurement

Defined Contribution Plan is simple and does not require actuarial valuation, whilst defined benefit plan is considered complex and requires actuarial assumptions and discounted liability calculations.

vi) Cost to Employer

Generally, defined contribution plan is less costly and more predictable for the employer than the defined benefit plan

(4 relevant points under each plan @ 1 mark each = 8 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Overall, candidates' responses were generally good. Section (a) was a straightforward question; however, many candidates were unable to adapt their answers to address the applied nature of the requirement. Despite this limitation, performance in this section was encouraging.

The question on inventory valuation under IPSAS 12 was fairly well handled by most candidates. Nonetheless, some were unable to distinguish between the different measurement scenarios, which prevented them from attaining the maximum marks available.

With respect to sub-section (c), a significant number of candidates were unable to differentiate between Defined Contribution Plans and Defined Benefit Plans as outlined under IPSAS 39, Employee Benefits. The topic appeared unfamiliar to many, which was reflected in the poor performance recorded in this section. Candidates are encouraged to deepen their understanding of IPSAS concepts beyond basic definitions to improve future outcomes.

QUESTION THREE

a)

- i) **Outcomes of an orderly and open PFM system under the PEFA framework.**
- **Aggregate fiscal discipline:** This outcome focuses on the government's ability to control its overall budget, ensuring that public spending is consistent with its available resources and sustainable in the medium to long term. An orderly PFM system achieves this by having robust processes for budget preparation, credible revenue forecasting, and effective control over expenditure.
- **Strategic allocation of resources:** This outcome ensures that public funds are directed to the government's stated policy priorities and strategic objectives. An open and performance-oriented PFM system moves beyond simply tracking cash to linking funding to results. It involves processes like strategic planning, programme-based budgeting, and rigorous project appraisal to ensure that resources are allocated to sectors and programmes that deliver the greatest value and public benefit.
- **Efficient and effective service delivery:** This outcome is concerned with the value for money achieved in the implementation of government programmes and the delivery of public services. An efficient PFM system ensures that goods and services are procured and delivered at a reasonable cost, in a timely manner, and to a specified quality standard. It involves transparent procurement, sound internal controls, reliable accounting, and timely reporting to hold managers accountable for their use of public funds.

(2 well explained points @ 1 mark each = 2 marks)

ii) **Pillars of the PEFA framework with their indicators**

The PEFA framework is structured around seven pillars that collectively cover the entire PFM cycle, from planning to audit.

- **Budget reliability:** This pillar assesses the government's ability to accurately and reliably implement its budget as approved by the legislature. It focuses on the credibility of the budget by comparing actual revenues and expenditures to the original, approved budget.
An example of indicator under budget reliability is *aggregate expenditure out-turn* which measures the difference between actual total expenditure and the original approved budget. A small variance indicates high budget reliability and credible planning.
- **Transparency of public finances:** This pillar evaluates the comprehensiveness, clarity and accessibility of information on public finances. It ensures that all government activities and their associated financial implications are open to public scrutiny.

An example of indicator under transparency of public finance is *classification of the budget* which assesses whether the budget is presented using a standard, internationally recognised economic, functional, and administrative classification system, making it easier to analyse and understand.

- **Management of assets and liabilities:** This pillar focuses on the management of the government's balance sheet, including both its assets and its liabilities.

An example of indicator under this pillar is public debt management which assesses whether the government has a strategy for managing its debt and whether its debt is accurately recorded and reported in a timely manner.

- **Policy-based fiscal strategy and budgeting:** This pillar examines the processes for developing a fiscal strategy and translating it into a concrete budget. It assesses the link between policy priorities, medium-term planning and the annual budget.

An example of indicator under this pillar is *multi-annual perspective in fiscal planning* which evaluates whether the budget is prepared within a credible multi-year fiscal framework, which is essential for sustainable planning and policy implementation.

- **Predictability and control in budget execution:** This pillar deals with the systems and procedures that ensure the budget is implemented as intended. It covers areas like in-year budget controls, cash and debt management, procurement and internal audit.

An example of indicator under this pillar is *internal controls on non-salary expenditure*. This indicator assesses the effectiveness of controls (like pre-authorization and verification) over expenditures to prevent fraud, waste, and misuse of funds.

Accounting and reporting: This pillar assesses the government's ability to maintain complete and accurate records of all financial transactions and to produce timely and reliable financial reports. This is the foundation for accountability.

An example of indicator under accounting and reporting is financial data integrity. This indicator checks whether the accounting system produces reliable and consistent data.

- **External scrutiny and audit:** This pillar focuses on the independent oversight of public finances. It assesses the role of the Supreme Audit Institution (SAI) in auditing the government's financial statements and performance, and the effectiveness of the legislature in following up on audit findings.

Legislative scrutiny of audit reports is an example of indicator under this pillar. It assesses whether the legislature reviews audit reports from the SAI and holds the executive accountable for addressing the identified weaknesses and recommendations.

(8 marks)

b) The Public Debt Management Office shall

- handle debt management operations of the Government;
- assess risks for government guarantees and lending;
- assess all forms of credit agreements including suppliers' credit, buyer's credit, mixed credit and finance lease agreements to be entered into by the Government;
- assess the feasibility of borrowing requirements implied by the path for the fiscal deficit in the Fiscal Strategy Document;
- formulate the Medium-Term Debt Management Strategy;
- perform any other functions that may be determined by the minister

(4 points well explained @1.5 marks per point = 6 marks)

c) Under PFM regulations the following virement transactions are prohibited

- Virement made to employee compensation from other recurrent expenditure.
- Virement from compensation to other recurrent expenditure.
- Virement from capital expenditure to recurrent expenditure.
- Virement to decrease utility expenses.
- Virement for any expenses to be protected.
- Virement to create a new budget programme.

(4 well explained points @ 1 mark per point= 4 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Overall, candidates performed averagely in this question. The sub-section (a) attracted generally good responses. Candidates articulated the outcomes of public financial management quite well. However, many only partially addressed the requirement on the pillars, as they overlooked the second part of the question, which asked for one indicator under each pillar. This omission resulted in candidates losing up to half of the available marks. Candidates are therefore reminded to pay close attention to the full requirements of each question before responding, in order to avoid unnecessary deviations and loss of marks.

The responses to sub-section (b) were generally poor. Many candidates appeared unprepared for this question, even though it falls squarely within the syllabus. Candidates are advised to study the full breadth of the syllabus, including less familiar or previously unexamined areas, in order to avoid unnecessary surprises in future examinations.

The question on the prohibition of virement was generally well answered by most candidates. However, a notable challenge was that some candidates focused on providing broad explanations of virement or outlining general rules governing its use, rather than specifically addressing the prohibitions set out in the Public Financial Management Regulation, 2019, as required. Candidates are reminded to respond directly to the questions to secure full marks.

QUESTION FOUR

a) RATIOS COMPUTATION

S/N	Ratio	Formula	Sunyani Technical University	Bolgatanga Technical University
i)	Goods and Services to Total IGF	Goods and Services / IGF * 100	4,085,253 / 11,610,900* 100 = 35.18%	3,237,444 / 14,427,492 * 100 = 22.44%
ii)	GoG Grant per Capita	GoG Grant / Population	12,970,100 / 150,000 people = 86.57/person	10,010,000/136,000 = 73.60/person
iii)	Goods and Services per capita	Goods and services / Population	4,085,253/150,000 = 27.24/person	3,237,444 / 136,000 = 23.80/person
iv)	Productivity Ratio	Revenue/ Expenditure	27,798,500/14,671,753 = 1.90	27,504,320/12,636,368 = 2.18
v)	Quick Ratio	Current Asset / Current Liabilities = times	31,057,310 – 7,159,500 /16,286,844 = 1.47 times	23,908,176 – 5,458,689 / 11,474,024 = 1.61 times
vi)	Cash ratio	Cash and Cash Equivalent / Current Liabilities = times	9,264,810/16,286,844 = 0.57 times	7,294,233/11,474,024 = 0.64 times
vii)	IGF to Capital Spending	IGF/Capital Spending * 100	11,610,900/2,776,100 * 100 = 4.18 i.e Capital Spending 11,976,100 – 9,200,000 = 2,776,100	14,427,492/2,428,000* 100 = 5.94 i.e Capital Spending 10,028,000 – 7,600,000 = 2,428,000
viii)	Debt to Total Assets	Debt/Total Assets	28850,000/89,151,410 = 0.32 or 32%	22,508,600/72,464,176 = 0.311 or 31%

(12 marks)

b) **FINANCIAL PERFORMANCE, LIQUIDITY AND LONG TERM SOLVENCY ANALYSIS REPORT**

Introduction

This report presents a comparative analysis of the financial performance and short-term liquidity of Sunyani Technical University (STU) and Bolgatanga Technical University (BTU). It evaluates both institutions using key financial ratios such as expenditure efficiency, per capita resource allocation, and liquidity metrics. The analysis provides insights into how each university manages its finances, allocates resources, and maintains short-term financial health.

Financial Performance Analysis

Goods and Services to Total IGF

Sunyani Technical University spent 35.18% of its IGF on goods and services, while Bolgatanga Technical University spent a lower percentage at 22.44%. This indicates that STU invested a larger share of its internal funds in operational activities. However, the lower ratio at BTU may suggest more efficient spending or higher IGF mobilization compared to operational needs.

GoG Grant per Capita

STU received GH¢86.57 per student in government grants, whereas BTU received GH¢73.60. The higher per capita support at STU implies better government funding relative to its student population, potentially enhancing the quality of services provided per student.

Goods and Services per Capita

Goods and services spending per student was GH¢27.24 at STU and GH¢23.80 at BTU. STU's higher expenditure may reflect broader service coverage or less budgetary constraint. Conversely, BTU's lower figure might imply tighter control on operational costs or more students being served with the available resources.

Capital Spending to IGF

STU allocated 23.91% of its IGF to capital spending, while BTU allocated 16.83%. The higher investment ratio at STU suggests a stronger focus on infrastructure and capital development. BTU's lower proportion could reflect budget constraints or prioritization of recurrent expenditures over capital outlays.

Short-Term Liquidity Analysis

Quick Ratio

The quick ratio for STU was 1.47 compared to 1.61 for BTU. This reflects BTU's superior liquidity after excluding inventory, giving it greater flexibility in meeting immediate liabilities.

Cash Ratio

STU recorded a cash ratio of 0.57 while BTU posted 0.64. Though both institutions fall short of a 1.0 optimal level, BTU's higher ratio indicates relatively better cash coverage of liabilities.

Long term Solvency

Debt to total asset ratio of the STU and BTU are 32% and 31.1% respectively. This shows that both have similar solvency position, which is acceptable. Thus, both universities are solvent in the long term and could easily have access to debt finance given the legislative constraints, if any.

Conclusion

Overall, Sunyani Technical University demonstrated stronger capital and per capita spending, reflecting investment in development and student services. However, Bolgatanga Technical University outperformed in liquidity metrics, showcasing stronger short-term financial health and operational solvency. While STU appears focused on growth and service delivery, BTU emphasizes financial stability. Future strategies should aim to balance these dimensions to enhance both institutions' sustainability.

(8 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Overall, performance on this question was generally good. Many candidates were able to compute most of the required ratios successfully. However, significant difficulties were observed in calculating the cash ratio, the debt-to-total-assets ratio, and the ratio of internally generated funds to capital expenditure (CAPEX).

In addition, the quality of the analytical report was weak. Rather than structuring their analysis under the required headings: financial performance, short-term liquidity, and long-term solvency, many candidates combined all issues into a single narrative, resulting in limited clarity and depth. This lack of structured analysis adversely affected candidates' overall performance.

QUESTION FIVE

a)
i)

EOCO

The objects of the Office are to:

- prevent and detect organized crime, and
- generally, to facilitate the confiscation of the proceeds of crime

(1 mark each for maximum of 2 points = 2 marks)

OSP

The object of the Office is to

- investigate and prosecute specific cases of alleged or suspected corruption and corruption-related offences;
- recover the proceeds of corruption and corruption-related offences, and
- take steps to prevent corruption.

(1 mark each for maximum of 2 points = 2 marks)

ii) Ways by which the OSP and EOCO can collaborate to achieve their mandate

- **Establishment of a formal joint intelligence and investigation task force.**
Both institutions have overlapping interests in financial crimes and corruption. The OSP focuses on corruption and corruption-related offences (Act 959, Sec. 79), while EOCO investigates economic and organised crime (Act 804, Sec. 2). These areas are frequently intertwined, as organised crime often involves public corruption to facilitate its activities, and corruption manifests as an economic crime.
- **Implementation of a clear case referral and handover protocol**
The mandates of the two institutions, while distinct, have grey areas. For instance, a corruption case uncovered by EOCO may be more suitably prosecuted by the OSP, and vice-versa. A lack of a formal protocol leads to turf wars, duplication, and inefficiency.
- **Joint utilization of specialized forensic and asset recovery resources**
Both agencies require highly specialised skills in digital forensics, forensic accounting, and asset tracing to successfully investigate and prosecute complex financial crimes. Duplicating these expensive and scarce resources is inefficient for the state.
- **Information and knowledge sharing**
Both should create a common platform for sharing information and knowledge of criminal activities to facilitate prosecution and recovery of assets due the state.

(2 marks for any three points explained =6 marks)

b)

- i) Section 83(3) of the PFM Act, 2016, Act 921 states, an Internal Auditor of the Internal Audit Unit of a covered entity shall
 - ✓ Appraise and report on the soundness and application of the system of controls operating in the covered entity;
 - ✓ Evaluate the effectiveness of the risk management and governance process of a covered entity and contribute to the improvement of that risk management and governance process;
 - ✓ Provide assurance on the efficiency, effectiveness and economy in the administration of the programmes and operations of a covered entity;
 - ✓ Evaluate compliance of a covered entity with enactments, policies, standards, systems and procedures.

(4 points for 1 mark each = 4 marks)

- ii) The Internal Auditor of a covered entity shall, in the performance of functions under this Act,
 - ✓ have access to information and property required to be audited; and
 - ✓ be provided with any relevant explanation required by the Internal Auditor.

(2 points for 1 mark each = 2 marks)

c) **Other Reasons for Engaging Stakeholders in Public Sector Governance**

Stakeholders play a crucial role in public sector governance due to several reasons:

Enhancing transparency and communication: Stakeholders play a crucial role in promoting transparency and communication in public sector governance. By providing access to information, engaging in dialogue, and soliciting feedback, governments can ensure that governance processes are open, accountable, and responsive to the needs of stakeholders.

Policy development and implementation: Stakeholders contribute to the development and implementation of government policies, programs, and initiatives. Their input and expertise help governments design policies that are effective, feasible, and responsive to the needs of society. Stakeholders also play a role in monitoring and evaluating the implementation of policies to ensure they achieve their intended outcomes.

Building consensus and Support: Engaging stakeholders in governance processes helps build consensus and garner support for government initiatives. By involving stakeholders early in the decision-making process, governments can address concerns, build trust, and foster collaboration, leading to greater acceptance and buy-in for their actions.

Legitimacy and accountability: Stakeholders provide legitimacy to public sector governance by holding officials and institutions accountable for their actions and

decisions. Through oversight mechanisms, public consultations, and feedback channels, stakeholders help ensure the governance processes are transparent, fair, and responsive to the public interest.

Policy development and implementation: Stakeholders contribute to the development and implementation of government policies, programs, and initiatives. Their input and expertise help governments design policies that are effective, feasible, and responsive to the needs of society. Stakeholders also play a role in monitoring and evaluating the implementation of policies to ensure they achieve their intended outcomes.

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

(Total: 20 marks)

EXAMINER'S COMMENTS

Overall, the question was fairly answered. However, responses to section (a) were not encouraging, despite the straightforward nature of the requirement. In section (b), many candidates relied on general knowledge rather than addressing the specific provisions of the Public Financial Management Act, 2016, as required. The rights of internal audit also appeared unfamiliar to many candidates, which further affected performance in this section. In contrast, section (c) was well answered, with most candidates providing insightful responses on the importance of stakeholder engagement in government decision-making.

CONCLUSION AND RECOMMENDATIONS

Candidates generally performed fairly well. However, a notable proportion of candidates performed poorly, largely due to inadequate preparation. This was evident in superficial responses, gaps in syllabus coverage, and an inability to address applied and analytical aspects of certain questions. These shortcomings suggest that success in this paper requires consistent study, broad conceptual understanding, and familiarity with practical public sector financial management issues.

In summary, while the overall performance was encouraging, there remains significant room for improvement, particularly in preparation, syllabus coverage, and examination technique.

Based on the observations made during this diet, the following recommendations are proposed:

- Candidates should commit sufficient time to studying the subject. The use of ICAG Study Texts, Question Banks, and tuition support from Partners in Learning (PIL) is strongly encouraged. A minimum of six hours of study per week, in addition to lecture attendance, is recommended to build the depth of knowledge required for success.
- Candidates should avoid concentrating narrowly on selected topics. All areas of the syllabus are examinable, and broad coverage is essential to improve

performance across the paper. A balanced study strategy will enhance candidates' ability to attempt all questions confidently.

- Candidates should allocate time to each question based on its mark weighting. For example, a 10-mark question should be attempted within approximately 18 minutes. Excessive time spent on financial reporting questions often results in insufficient time to address other equally important areas, negatively affecting overall performance.
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