

**MARCH 2026 PROFESSIONAL EXAMINATIONS
PUBLIC SECTOR ACCOUNTING AND FINANCE (PAPER 2.5)
CHIEF EXAMINER’S REPORT, QUESTIONS AND MARKING SCHEME**

EXAMINER’S GENERAL COMMENTS

In general, the questions were set at a suitable level, with a well-distributed coverage that appropriately mirrored the examination syllabus. The mark allocation was equitable and corresponded with the relative importance of the various topics. Nonetheless, candidates’ performance was largely below expectation, as reflected in a pass rate of 20 percent for the sitting.

STANDARD OF THE QUESTIONS

The examination questions were set at an appropriate standard, exhibiting wide coverage of the syllabus, clear requirements and a reasonable time allocation. Overall, the questions were consistent with the expected level of knowledge outlined in the syllabus. From a cognitive perspective, they were well aligned with Bloom’s Taxonomy, with particular emphasis on application and analytical skills in line with the stated learning outcomes.

PERFORMANCE OF CANDIDATES

Overall, candidates’ performance in the examination fell below expectations, although a few achieved outstanding results. Significant challenges were observed in the application of IPSAS and the preparation of cash flow statements. Candidates appeared to have limited proficiency in IPSAS, which may be attributed to the breadth of the standards and the relative unfamiliarity of certain areas, particularly IPSAS 27 (Agriculture).

GENERAL WEAKNESSES OF CANDIDATES

- *Misinterpretation of question requirements:* Some candidates struggled to fully grasp and respond to the specific demands of questions. For example, in Question 5, candidates were required to explain the importance and limitations of the Nolan Principles of Public Life; however, many simply described the principles themselves. Similar misinterpretations were evident in Questions 4(a) and 4(b).
- *Inadequate coverage of the syllabus:* A significant number of candidates appeared to focus narrowly on selected areas—particularly financial statement preparation—while neglecting other parts of the syllabus.
- *Weak application of IPSAS:* Many candidates demonstrated insufficient practical understanding of IPSAS, which adversely affected their performance, particularly in Question 2.
- *Difficulty with classification under the Chart of Accounts:* The proper classification of financial items in accordance with the Government of Ghana Chart of Accounts remains a major challenge for many candidates.
- *Poor time management:* Time allocation posed difficulties for several candidates. Excessive time spent on certain questions, especially those involving financial statement preparation, left insufficient time to complete the paper, thereby affecting overall performance.
- *Inadequate preparation:* In some cases, candidates’ responses reflected minimal preparation and a weak grasp of fundamental concepts. Given the rigorous standards of ICAG examinations, candidates who are insufficiently prepared are unlikely to succeed. Prospective candidates are therefore strongly encouraged to undertake thorough preparation before sitting the examination.

QUESTION ONE

Below is a list of transactions obtained from the financial records of The Consolidated Fund of Ghana for the year ended 31 December 2024.

	GHC' million
Excise duties (i)	180,000
Project grant- African Development Bank (ii)	120,000
Taxes paid by individuals	360,000
World Bank project grant expected in 2024	96,000
Swiss Government grant (iii)	129,000
Corporate taxes (iv)	300,000
Project grant in arrears (South Korea)	59,000
COVID-19 Levy	82,000
Bilateral loans received	750,000
VAT in arrears	172,000
Domestic loans repayment	120,000
VAT received	380,000
National Health Insurance Levy	85,000
Domestic loans received	140,000
External commercial institution loans received	90,000
Customs duties	160,000
Redemption of external loans	53,000
Established post (v)	140,000
Materials and office consumables	82,000
Social assistance benefits (vi)	35,000
Travel and transport	24,000
Gratuity	15,000
Utilities (vii)	35,000
Employers social assistance benefit in arrears	140,000
Pensions	180,000
Repairs and maintenance	45,000
General cleaning	60,000
Training, conferences and seminars (viii)	70,000
Other payments	49,000
Fees and fines	18,000
Dividend projections for 2024	46,000
Consultancy expense	79,000
13% SSF paid	82,000
Insurance Premium	120,000
Public debt interest (ix)	30,000
Stationery inventory 1/1/24 (x)	43,000
Stationery purchased	97,000
Consumption of fixed assets (accumulated)	80,000
Consumption of fixed assets (charge for the year)	92,000
Cash and cash equivalent (1/1/24)	(500,000)
Cash and cash equivalent (31/12/24)	1,406,550
Building revaluation surplus	92,000

Vehicle revaluation deficit	17,000
Fuel and fertilizer subsidies	18,000
Proceeds from sale of vehicles	135,000
Disposal of non-financial assets	75,000
Sale of investment	180,000
Loans and advances issued	50,000
Purchase of investment	40,000
Acquisition of non-financial assets	60,000
Proceeds from exchange transactions	75,000
Rent income received in advance for 2025	85,000
Debt relief	99,000
Loan from African Development Bank	125,000
Transfer to Common Fund	60,000
Transfer to NHIF	35,000

Additional information:

- i) 20% of Excise duties represents projected amount for 2025.
- ii) The project grant received from African Development Bank is to be used for a special project which conditions must be met before the grant can be used. The Minister for Finance and Controller and Accountant General's Department have to provide enough evidence to indicate that Government is willing to fulfil all the conditions that merit the use of that grant which as of now there is no evidence that the conditions have been fulfilled.
- iii) Swiss Government grant has a component of services which amounts to GH¢38,700,000,000.
- iv) Corporate taxes recorded in the list of transactions relates to the years 2024 and 2025. Corporate taxes are paid evenly.
- v) Controller and Accountant General's Department only paid 95% of the established post salaries.
- vi) Out of the social assistance benefit payment, GH¢12,000,000,000 represents arrears for 2023.
- vii) 35% of the GH¢35,000,000,000 representing utility expenditure was in arrears.
- viii) 60% of training, seminars and conferences expenditure was funded by the World Bank.
- ix) 60% of the public debt interest expense has not been paid.
- x) Stationery inventory as at 31 December 2024 has a cost price of GH¢14,000,000,000, Net Realisable Value of GH¢11,200,000,000 and replacement value of GH¢15,200,000.

Required:

Prepare a Cash Flow Statement for the year ended 31 December, 2024 of the Consolidated Fund in compliance with the *IPSAS 2: Cash Flow Statement* and *The Current Chart of Accounts of Government of Ghana*. (Total: 20 marks)

QUESTION TWO

- a) The Ministry of Fisheries and Aquaculture Development (The Ministry) is resolute in addressing perennial pair trawling in fishing by foreigners in Ghanaian territorial waters. The Ministry has therefore decided to partner with the Ministry of Defence to deploy Naval Officers to undertake sea patrols at night on Ghanaian waters to protect the territorial integrity of the nation in respect of both land and sea.

The Ministry has therefore opted to lease four specially built yachts from the Chinese Government for the Ministry of Defence to enable them undertake the assignment. At signing the lease agreement, the total cost for lease of the yachts amounted to GH¢850,000.

Other incidental transactions associated with the lease are:

- Initial direct payment associated with the lease was GH¢350,000 and this amount was paid prior to the signing of the lease agreement.
- Annual lease payment of GH¢300,000 are to be made at the end of each year.
- At the end of the lease term, the value of the asset would be insignificant and the Chinese Government has accordingly waived its interest in the specialised lease item.
- The yachts have a useful life of five years.

At the time when the lease agreement was being entered into on 2 January 2024, the yachts had a fair value of GH¢1,200,000 while the Present Value of the lease payments will amount to GH¢1,005,646.44

The incremental borrowing rate applicable to Government of Ghana in the international market at the time of this kind of transaction was 15%.

It is the policy of the Government of Ghana to depreciate Property, Plants and Equipment using a straight-line depreciation method.

Required:

In accordance with *IPSAS 43 - Leases*:

- i) Show the appropriate accounting entries to recognise the lease liabilities at the beginning and at the end of the first year in the books of the Ministry. **(2 marks)**
 - ii) Prepare the fixed assets schedule in respect of the right of use asset at the end of first year. **(2 marks)**
 - iii) Show the right of use asset (PPE) and the lease liabilities in an Extract Statement of Financial Position by the Ministry at the end of year one with appropriate disclosures. **(6 marks)**
- b) The Ministry of Agriculture formulates policies for implementation by the Agencies under its fold.

An Agency under the Ministry of Agriculture has the following financial transactions during the year under review. The transactions relate to the entity's biological assets:

- 1) The Agency engages in agricultural activities within the scope of IPSAS 27, and has a large stock of sheep and herd of cattle occupying a 7-acre piece of land. The land cost GH¢250,000 per acre, and this land is entirely put into the service of the livestock business. The size of the land was suitably acquired to enable the creation of a grassing yard for the

animals and serve as a grassing ground in a commercial venture to other livestock owners in the catchment area. This grassing ground venture takes six sevenths (6/7) portion of the land.

- 2) Wool production from the sheep venture had a market value of GH¢678,980 while the yarn and hide/skin carpet produced from the venture also generated GH¢2,431,600. Some of the hides of the animals were put into making of shoes and leather belts and bags which were exported to the Italian market and earned the Agency €256,985 at the time when the exchange rate was GH¢16.75 to €1.00. On the reporting date, the exchange rate was GH¢16.96 to €1.00.
- 3) The herd of cattle produced raw milk which had a market value of GH¢2,867,000. However, 75% of the raw milk was processed into cheese which the agency sold at GH¢ 6,950,000 during the year.
- 4) The Agency also harvested Richwoods (logs). The market value of the Richwoods at the time of harvest was GH¢2,786,230. Additional direct labour costs in processing and organising the wood for export was GH¢946,800. The Richwoods were processed and exported to the European Market which earned the Agency an IGF, which when converted into Ghana Cedi was GH¢7,612,478.
- 5) The Agency owns a fruit cannery at Nsawam and undertakes pineapple farming to supply the cannery. Pineapples produced and supplied to the fruits cannery yielded GH¢680,000. The fruit juice from the cannery has a great appeal to the Ghanaian and foreign markets. The processed fruit juice sales generated revenue of GH¢2,955,000 to the Agency during the accounting year.

Required:

- i) Explain how the land (1) should be treated in the books of the Agency. **(2 marks)**
- ii) Explain how revenue will be recognised under each transaction in (2-5), indicating the amounts to be recognised under *IPSAS 27: Agriculture*. **(8 marks)**

(Total 20 marks)

QUESTION THREE

- a) National budgeting is the comprehensive and systematic process through which a government forecasts, allocates and manages public resources to achieve its socio-economic and developmental objectives. It goes beyond simple revenue and expenditure planning, encompassing complex economic forecasting, policy prioritization and trade-offs among competing needs, while addressing uncertainties such as economic shocks, political pressures and global market fluctuations. Therefore, the process must be guided and directed.

Required:

- i) Explain **TWO** benefits of national budget in public financial management. **(4 marks)**
- ii) Discuss **FOUR** general rules of national budget under the Public Financial Management Act 2016, (Act 921) as amended. **(6 marks)**

- b) Below is the PEFA assessment of management of assets and liabilities of your country in the 2023 report:

Indicator	Dimensions	Scores
Fiscal risk reporting	Monitoring of public corporations	D
	Monitoring of subnational government	D
	Contingent liabilities and other fiscal risk	C
Public Investment Management	Economic analysis of investment proposal	C
	Investment project selection	C
	Investment project costing	C
	Investment project monitoring	D
Public asset	Financial assets monitoring	D
	Nonfinancial asset monitoring	C
	Transparency of asset disposal	D
Debt Management	Recording and reporting of debt and guarantees	B
	Approval of debt and guarantees	C
	Debt management strategy	C

Required:

Using an appropriate scoring methodology;

- i) Compute and interpret the score of each indicator relating to asset and liability management. **(4 marks)**
- ii) Justify the rationale for the scoring methodology you have chosen in question (i) above. **(2 marks)**
- iii) Based on your result in question (i) above, suggest **FOUR** ways the Fixed Assets Coordinating Unit (FACU) can enhance management of government assets. **(4 marks)**

(Total: 20 marks)

QUESTION FOUR

- a) Preparation of financial statements is necessary but not adequate for purposes of accountability and decision making. Recommended Practice Guide 2 provides guidance for preparing and presenting financial statement discussion and analysis.

Financial statement discussion and analysis will assist users to understand the financial position, financial performance and cash flows presented in the general purpose financial statements. “It sets out the status, scope and reporting boundary for the information and is intended to encourage more public sector entities to provide users with financial statement discussion and analysis.”

Required:

With reference to the Recommended Practice Guide 2, discuss **FOUR** general considerations of financial statements discussion and analysis. **(4 marks)**

- b) Bongo Government Hospital operates in the Bongo District of Upper East Region. The following is an extract from the 2025 approved budget document of Bongo Government Hospital:

	Jan- March	April- June	July- September	October- December	Total
Revenue	GH¢	GH¢	GH¢	GH¢	GH¢
Outpatients	755,700	503,800	755,700	503,800	2,519,000
Inpatients	1,461,000	1,095,750	730,500	365,250	3,652,500
Mortuary services	124,750	124,750	124,750	124,750	499,000
Medications	1,628,000	1,221,000	814,000	407,000	4,070,000
Dental services	75,250	75,250	75,250	75,250	301,000
Laboratory services	292,800	219,600	146,400	73,200	732,000
Ambulance services	24,000	24,000	24,000	24,000	96,000
Total Revenue	4,361,500	3,264,150	2,670,600	1,573,250	11,869,500
Expenditure					
Compensation	404,500	404,500	404,500	404,500	1,618,000
Use of goods and services	3,308,600	2,481,450	1,654,300	827,150	8,271,500
Interest expense	495,250	495,250	495,250	495,250	1,981,000
Non-financial assets	-	1,314,750	-	1,314,750	2,629,500
Other Expenses	450,000	300,000	450,000	300,000	1,500,000
Total Expenditure	4,658,350	4,995,950	3,004,050	3,341,650	16,000,000

Actual figures extracted from the financial records of the Hospital for the half year ending 30 June 2025 are as follows:

Revenues	GH¢
Outpatients	1,195,000
In patients	3,342,750
Mortuary services	204,000
Medications	3,826,500
Dental services	95,000
Laboratory services	702,400
Ambulance services	60,000
Expenditures	
Compensation	911,750
Use of goods and services	4,401,050
Interest expense	1,050,000
Non-financial assets	1,577,700
Other expenses	680,000

Required:

- i) Prepare a budget performance statement for the half year ending 30 June 2025 to enable further comparison with a sister hospital. **(8 marks)**
- ii) Write a report analysing the budget performance of the hospital for the half year ending 30 June 2025 and make necessary recommendations. **(8 marks)**

(Total: 20 marks)

QUESTION FIVE

- a) The newly appointed Municipal Chief Executive (MCE) of Aowin Municipal Assembly (AMA) participated in a financial management orientation workshop organised by the Ministry of Local Government, Chieftaincy and Religious Affairs for all MMDCEs across the country. One of the presentations discussed the core responsibilities of Principal Spending Officers including the submission of periodic financial statements to the Controller and Accountant General as per Sections 79 & 80 of the Public Financial Management Act, 2016 (Act 921).

This was also reinforced by the requirement of the International Public Sector Accounting Standards Board (IPSASB) Conceptual Framework requirement for the preparation of General Purpose Financial Reports (GPFR) by entities. Upon the MCE's return, you were approached as the Head of Accounts of AMA to provide further insights to these provisions.

Required:

- i) Explain to the MCE the information relevance of the core components of General Purpose Financial Reports in relation to IPSASB conceptual framework. **(5 marks)**
ii) Explain the *elements* of financial statements. **(5 marks)**

- b) The public sector is crucial in establishing prerequisites for sustainable development in every nation. As highlighted by the IPSASB in its discussions on enhancing public sector sustainability reporting, governmental intervention is essential to instigate the extensive transformations necessary worldwide to realise the advantages of sustainable development.

Required:

Explain **FOUR** reasons public sector organisations should engage in sustainability reporting. **(4 marks)**

- c) Nolan's Seven Principles of public life encompass a set of fundamental values and standards that guide the conduct of individuals holding public office or involved in public service. These principles have both importance and limitations in their applications to public life.

Required:

- i) Explain **THREE** importance of Nolan's Seven Principles of public life. **(3 marks)**
ii) Explain **THREE** limitations of these principles. **(3 marks)**

(Total: 20 marks)

SUGGESTED SOLUTION

QUESTION ONE

Government of Ghana Consolidated Fund Cash Flow Statement for The Year Ended 31 December 2024

	NOTES	GH¢' million	GH¢' million
<u>Operating Activity</u>			
<u>Receipts</u>			
Taxes	2	1,511,000 ¹	
Non-Tax Revenue	3	178,000	
Donations, Gifts and Grants	4	<u>252,300</u>	
Total Receipt		1,941,300	
<u>Payments</u>			
Compensation of Employees	5	(410,000)	
Use of Goods and Service	6	(599,750)	
Public Debt Interest	7	(12,000)	
Social Benefit	8	(23,000) ²	
Government Subsidies		(18,000)	
Statutory Transfers	9	(95,000)	
Other Payments		<u>(49,000)</u>	
Total Payment		<u>(1,206,750)</u>	
Net Cash flow from Operating Activities			734,550
<u>Investing Activity</u>			
<u>Acquisitions</u>			
Loans and Advances Issued		(50,000)	
Purchase of Investment		(40,000)	
Non-Financial Asset		<u>(60,000)</u>	
Total Acquisitions		(150,000)	
<u>Sales And Disposals</u>			
Sales of Vehicle		135,000	
Non-Financial Asset		75,000	
Sale of Investment		<u>180,000</u>	
Total Sales and Disposals		<u>390,000</u>	
Net Cash Flow from Investing Activities			240,000
<u>Financing Activities</u>			
<u>Receipts</u>			
Bilateral Loans		750,000	
Domestic Loans		140,000	

¹ Alternative is to report direct taxes as GH¢410,000,000,000 when the additional information (iv) is interpreted as 2024 corporate taxes amount only was received (360,000+150,000). Thus, the total taxes become GH¢1,361,000,000,000

² Interpretation of the additional information (vi) may call for treatment of the whole GH¢35,000,000,000 as payment during the year. So an alternative is to show social benefit as GH¢35,000,000,000

External Commercial Institution loans	90,000	
African Development Bank	<u>125,000</u>	
Total Receipts	1,105,000	
<u>Repayments</u>		
Domestic Loan	(120,000)	
External Loan	<u>(53,000)</u>	
Total Repayments	<u>(173,000)</u>	
Net Cash flow from Financing Activities		<u>932,000</u>
Net Cash flows		1,906,550
Cash and cash equivalent (1/1/24)		<u>(500,000)</u>
Cash and Cash equivalent (31/12/24)		<u>1,406,550</u>

Notes to The Accounts

	GH¢'million	GH¢'million
2. TAXES		
Direct Taxes		
Taxes paid by individuals	360,000	
Corporate Taxes	<u>300,000³</u>	660,000
Indirect Taxes		
Excise Duty(180,000*80%)	144,000	
Covid-19 Levy	82,000	
VAT	380,000	
NHIL	85,000	
Customs duties	<u>160,000</u>	<u>851,000</u>
		1,511,000
3. NON-TAX REVENUE		
Fees and Fines		18,000
Rent Income		85,000
Proceeds from exchange Transaction		<u>75,000</u>
		178,000
4. GRANTS		
Project, Africa Dev't Bank		120,000
SWISS Gov't Grant (129,000 - 38,700)		90,300

³ Alternative amounts are GH¢150,000,000,000 and GH¢410,000,000,000.

World Bank (60%*70,000)	<u>42,000</u>
	252,300
5. COMPENSATION	
Establish Post (140,000*95%)	133,000
Gratuity	15,000
Pension	180,000
13% SSF	<u>82,000</u>
	410,000
6. GOODS AND SERVICES	
Stationery Purchased	97,000
Materials and Office Comsu.	82,000
Travel and Transport	24,000
Utilities (65%*35,000)	22,750
Repairs and Maintenance	45,000
General Cleaning	60,000
Training, Seminar and Confer.	70,000
Insurance Premiums	120,000
Consultancy	<u>79,000</u>
	599,750
7. PUBLIC DEBT INTEREST	
Per Trial balance	30,000
Outstanding(60%*30,000)	<u>(18,000)</u>
	12,000
8. SOCIAL BENEFIT	
Per trial balance	35,000
Outstanding	<u>(12,000)⁴</u>
	23,000
9. STATUTORY TRANSFER	
Transfer to Common Fund	60,000
Transfer to NHIF	<u>35,000</u>
	95,000
	(Total: 20 marks)

⁴ Alternative is to ignore the adjustment.

EXAMINER'S COMMENTS

The question assessed candidates' ability to prepare Cash Flow Statement using the direct method. Overall performance on this question was average. A number of candidates failed to properly classify items in accordance with the Chart of Accounts, instead presenting all transactions directly on the face of the statement without appropriate aggregation. Candidates were expected to apply the Chart of Accounts to classify revenue and expenditure items and then present the summarised figures in the statement.

Notably, some candidates did not address the requirement at all and instead prepared a Statement of Financial Performance and a Statement of Financial Position. This indicates a tendency toward rote learning rather than a clear understanding of the task. Candidates are therefore advised to familiarise themselves with the Chart of Accounts, as well as the format and requirements of IPSAS 12 (Cash Flow Statements), in order to enhance future performance.

Notes:

During the year under review the Government of Ghana, entered a finance lease agreement with the Chinese Government for provision of a specialised yachts. The yachts were accounted for in Property, Plant and Equipment. The lease payments and outstanding lease liabilities were accounted for in the financial statement under review.

At the end of the current year, the outstanding lease liabilities recognised in the financial statement excluding the interest liabilities are as follows:

Right of Use Asset - Lease liability (Lessor)	GH¢1,355,646.44
Principal Payment in current year	GH¢171, 526
Outstanding lease liability	GH¢856,493.41
Right of use asset in PPE is an amount (Net)	GH¢1,084,517.15
Depreciation recognized on leased asset	GH¢271,129.29

(6 marks)

b)

- i) This is a transaction which falls under a different IPSAS. IPSAS 27 deals with biological assets and agricultural activity with produce at harvest. The cost of acquisition of the land in the sum of GH¢1,750,000 and the features of the transaction seem to fall under *IPSAS 16: Investment Property*, and should be accounted for as such. IPSAS 27 is clear about the fact that where transactions appear to fall out of its scope, the relevant IPSASs applicable to the transaction in question should prevail, hence IPSAS 16 Investment Property is the appropriate standard under which this transaction should be accounted for, and the land be treated as an Investment Property.

(2 marks)

ii)

- 2) The standard requires that only Agricultural produce at harvest is accounted for under this standard. Wool production from the sheep venture in the sum of GH¢678,980 ended agricultural produce at harvest. While the yarn and hide/skin carpet produced from the activity is not agricultural produce at harvest. Therefore, further conversion of the agricultural produce beyond the point of harvest are not agricultural activity within the meaning of this standard and are therefore not accounted for under IPSAS 27.

- 3) The standard recognises agricultural produce at the point of harvest of biological asset. The production of raw milk therefore ends agricultural activity at harvest, hence revenue generated at that point is recognisable under this standard and it is the revenue in the sum of GH¢2,867,000.

Income from cheese production is a commercial activity which may have been undertaken by a Government Business Enterprise (GBE) and should be accounted

for under the appropriate accounting systems and standards in respect of that Enterprise.

4) The fact that the Richwood trees (logs) at the point of harvest earned revenue of GH¢2,786,230, further processing of the wood for the European Market is something beyond the requirements of harvested agricultural produce. Hence GH¢2,786,230 is recognizable from agricultural activities in this regard.

5) The brilliant idea of the Agency to set up a cannery and to feed the production line is laudable but this activity is beyond the stage of harvest at production hence the revenue from the raw pineapples harvested in the sum of GH¢680,000 should suffice for recognition in this instance as revenue for agricultural produce.

(8 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Candidates' performance in Part (a) on leases was below average. Although many candidates demonstrated some familiarity with the topic, they were unable to adequately address the requirements of the question. A key challenge was the treatment of initial direct payments made prior to the commencement of the lease; most candidates failed to include these payments in the cost of the right-of-use asset. Additionally, candidates appeared confused when presented with both the present value and the fair value of the asset, with some incorrectly selecting the fair value, thereby affecting the accuracy of their calculations.

Performance in Part (b) on IPSAS 27 (Agriculture) was particularly weak. A majority of candidates did not attempt the question, and those who did generally struggled to provide satisfactory responses. The question appeared to be both unfamiliar and unexpected, which contributed significantly to the poor performance observed.

QUESTION THREE

a)

i) Benefits of national budgeting

- **Strategic allocation of resources.** It ensures public funds are directed toward priority areas such as infrastructure, healthcare, education, and security. It aligns resource use with national development plans and policy goals.
- **Economic stability and growth.** It Serves as a macroeconomic tool for managing inflation, unemployment, and economic cycles. National budgeting Supports sustainable fiscal policy by balancing revenue and expenditure.
- **Transparency and accountability.** National budgeting provides a formal record of planned revenues and expenditures, enabling public scrutiny. This Strengthens governance by making government spending more open to audit and oversight.
- **Efficient public service delivery.** It links available resources to the provision of essential goods and services. Improves efficiency by prioritizing programs with the highest impact.
- **Fiscal discipline.** It imposes spending limits that reduce waste and prevent unsustainable borrowing. Encourages prudent management of public debt and deficits.
- **Coordination across Government.** It harmonizes activities of ministries, departments, and agencies under a single fiscal framework. It reduces duplication and enhances policy coherence.
- **Monitoring and performance evaluation.** It sets benchmarks for assessing whether programs deliver expected outcomes. It provides a feedback loop to improve future budget cycles.
- **Public confidence and investor trust.** It is a credible budget signals fiscal responsibility, attracting foreign and domestic investment. This enhances the country's creditworthiness in international markets.

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

ii) General rule of national budget

The rules provide that national budget should:

- Be based on sound analysis and forecasts of macro-economic developments and fiscal projections in relation to the Medium-Term National Development Plan and approved plans.
- Be consistent with the Fiscal Strategy Document;
- Indicate an update of the macro-economic and fiscal projections in the Fiscal Strategy Document; any change in the projections of fiscal aggregates under the Fiscal Strategy Document prepared and an explanation for the change; and any change in the fiscal targets and ceilings under the Medium-Term Expenditure Framework;
- Set out the recent trends and developments on the indicators of the economy of the country and provide forecasts of the indicators, for a three to five-year period;
- Provide detailed information on recent fiscal developments and forecasts for the period determined by the Minister.

- Indicate the financing estimates for the financial year to which the budget relates.
- Provide for the expenditure estimates for the preceding financial year, the current financial year, and the ensuing financial year;
- Contain a statement of the multiple year commitments to be made by Government in the financial year, which shall include a legally-binding ceiling on such commitments;
- Include a schedule of all major investment projects by vote, taking account of total project costs and expected commitments of the annual budget and Medium-Term Expenditure Framework;
- Indicate the budgets of covered entities and the opinion of Government on the budgets; and
- State any grant or subvention made to a local government authority for the financial year

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

b)

i) **Computation and interpretations**

Indicator	Score under M2	Score under M1
Fiscal risk reporting	D+	D+
Public Investment Management	D+	C
Public Asset	D+	D+
Debt management	C+	C+

(4 marks)

ii) **Rationale for methodology**

Indicator	Score under M1	Score under M2
Fiscal risk reporting	Because the dimensions are linked	Because the dimensions are not linked
Public Investment Management	Because the dimensions are linked	Because the dimensions are not linked
Public Asset	Because the dimensions are linked	Because the dimensions are not linked
Debt management	Because the dimensions are linked	Because the dimensions are not linked

(4 relevant points @ 0.5 mark each = 2 marks)

iii) **Recommendation to FACU**

- Develop and implement asset monitoring system for public corporations and local governments to ensure that effective use of.
- Ensure effective asset and risk register for the public entities to ensure effective monitoring of the existence and use of the asset.
- Establish a transparent system for disposal of assets in the public sector to ensure value for money.
- Establish clear procedures for recording and accounting for public debt in line with IPSAS.
- Strengthen the processes leading to the approval of public debt.
- Establish robust system for public project appraisal and implementation.

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

(Total: 20 marks)

EXAMINER'S COMMENTS

Overall, candidates' performance on this question was average. Part (a) attracted generally strong responses, with many candidates clearly explaining the benefits of the national budget and earning most of the marks allocated. However, responses relating to the general rules of national budgeting under the PFM Act were less impressive. Despite these rules being explicitly stated in the Act, many candidates appeared uncertain and resorted to guesswork.

Performance in Part (b) was generally good. A number of candidates demonstrated a sound understanding of the PEFA framework and were able to compute the relevant indicator scores. Although the question effectively linked these indicators to the functions of the Fixed Asset Coordinating Unit (FACU), many candidates were unable to adequately explain how FACU contributes to the effective management of public assets.

QUESTION FOUR

a) General considerations of financial statement discussion and analysis

- Financial statement discussion and analysis should be presented at least annually and should use the same reporting period as that covered by the financial statements.
- The reporting boundary for financial statement discussion and analysis should be the same as that used for the financial statements.
- Financial statement discussion and analysis should be issued with the financial statements.
- . Financial statement discussion and analysis should not be described as complying with this RPG unless it complies with all the requirements of this RPG.
- In some jurisdictions, preparation and presentation of financial statement discussion and analysis is a legislative or regulatory requirement, or required by other externally imposed regulations. Entities are encouraged to disclose information about the impact of such requirements on compliance with RPG 2.

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

b)

a) Budget statement analysis for the half year ending 30 June 2025

ITEM	BUDGET	ACTUAL	OUTTURN(GHS)	OUTTURN
REVENUE	GH¢	GH¢	GH¢	%
Outpatients	1,259,500	1,195,000	(64,500)	(5.12)
Inpatients	2,556,750	3,342,750	786,000	30.74
Mortuary services	249,500	204,000	(45,500)	(18.23)
Drugs and Medication	2,849,000	3,826,500	977,500	34.31
Dental services	150,500	95,000	(55,500)	(36.88)
Laboratory services	512,400	702,400	190,000	37.08
Ambulance services	48,000	60,000	12,000	25
TOTAL REVENUE	7,625,650	9,425,150	1,800,000	23.60
EXPENDITURE				
Compensation	809,000	911,750	(102,750)	(12.70)
Use of goods and services	5,790,050	4,401,050	1,380,000	23.83
Interest expense	990,500	1,050,000	(59,500)	(6.00)

Non-financial assets	1,314,750	1,577,700	(262,950)	(20)
Other Expenses	750,000	680,000	70,000	9.33
TOTAL EXPENDITURE	9,654,300	8,620,500	1,033,800	10.71
SURPLUS/DEFICIT	(2,028,650)	804,650	(1,224,000)	60.33

(8 marks)

b) **Bongo Government Hospital**
Budget Performance Report for The Half Year Ending 30 June 2025

Introduction

The report provides you with the analysis of sources of revenue and areas of expenditure it covered. The report covers the budget for half year of 2025 and the Actual for the same period. The budget performance report has been attached as appendix to this report.

Analysis and Discussion

In the case of revenue performance, only revenue from outpatient., Mortuary and Dental services recorded negative variances while all the rest of the revenue sources recorded positive variances. This resulted in the overall revenue of the facility recorded a positive variance of GH¢1,800,500 representing 23.61 of the overall budgeted half year revenues.

The budget for outpatients exceeded the actual collected by GH¢64,500 representing 5.12% which means some work need to be done to ensure proper controls over the collection of revenues at the department. Revenues from inpatient department exceeded the budgeted figure by GH¢786,000 representing 30.75%

The facility could not achieve the targeted mortuary revenue generation within the half year as it recorded a negative variance of GH¢55,500. Management should take a second look at controls at the mortuary since it is likely that some revenue leakages may happen there.

Sale of drugs and medication recorded a positive variance of GH¢977,500 which means that the facility exceeded the projected revenues. Representing 34.31% which is a significant achievement.

Dental services could not perform well in terms of anticipated revenue for the half year. The budgeted revenue exceeded the actual by GH¢55,000 which needs investigation as to why the anticipated target was not achieved

Revenues from laboratory services and ambulances recorded positive variances of GH¢190,000 and GH¢12,000 which we hope can be maintained in the second half of the year

In terms of expenditure employee's compensation recorded a negative variance of GH¢102,750 which may be attributed to salary increase which was not anticipated when the budget was being prepared.

Goods and services recorded a positive variance, the budget exceeded the actuals by GH¢1,380,000 which eventually contributed significantly to the overall total positive expenditure variance.

Interest paid for the year recovered a negative variance of 6% which is not significant to warrant any investigation.

However, the facility recorded a significant negative variance of 20% of the purchase of non-financial assets. This could be a result of expansion in the infrastructure of the hospital.

Conclusion

Both revenue and expenditure performance of the hospital was satisfactory. The hospital improved in terms of the sources of IGF revenues over the budget resulting in an overall increase in total revenue from IGF over the budget of 23.60%. The hospital was able to control expenditures resulting in actual expenditure being less than the budget by 10.71%. This may be the result of expenditure controls which have been put in place especially expenses on goods and services. Notwithstanding the improved performance in both revenue and expenditure, the hospital will have to take a second look on how to improve revenue generation in mortuary and dental services which recorded significant negative areas.

(8 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Part (a) of the question was poorly answered. Many candidates appeared to have misunderstood the requirement; instead of discussing the general considerations in financial statement analysis in the public sector, they focused on the qualitative characteristics of financial statements.

In contrast, Part (b) was generally well attempted. A number of candidates were able to prepare the hospital's budget performance report. However, some failed to recognise that the budget period covered six months and instead prepared a full-year budget, which they incorrectly compared with six-month actual results. This significantly affected their scores. Additionally, while some candidates provided sound discussion and analysis of the entity's financial performance, others were unable to do so effectively. Generally, the analysis should indicate the data or result, the direction of performance, possible causes and remedial actions.

QUESTION FIVE

a)

i) **Information relevance of the core components of General-Purpose Financial Reports in relation to IPSASB conceptual framework**

A General-Purpose Financial Report is basically made of four components which provide users with different information about the financial standing of an entity like our Assembly. They include:

Financial Position Statement

Financial Performance Statement

Cash Flow Statements

Statement of Changes in Net Asset or Equity

Budget Information compared with Actuals in the financial statements

Notes to the Statements

Financial Position Statement

Information about the financial position of a government or other public sector entity depicts:

- The extent to which management has discharged its responsibilities for safekeeping and managing the resources of the entity;
- The extent to which resources are available to support future service delivery objectives; and
- The amounts and timing of future cash flows necessary to service and repay existing claims to the entity's resources.

Financial Performance Statement

Information about the financial performance statement of a government or other public sector entity goes beyond financial results that is whether Surplus or deficits but rather will inform assessment of matters such as:

- The purposes for which resources were used during the reporting period;
- The costs, efficiency and effectiveness of service delivery during the reporting period; and
- Changes during the reporting period in the amount and composition of the resources that are available for the provision of services in the future and claims to those resources.

Cash Flow Statement

Information about the cash flows of a government or other public sector entity contributes to assessments of financial performance and the entity's liquidity and solvency, specifically:

- It indicates how the entity raised and used cash during the period, including its borrowing and repayment of borrowing and its acquisition and sale of, for example, property, plant, and equipment.

- It also identifies the cash received from, for example, taxes and investments and the cash transfers made to, and received from, other governments, government agencies or international organizations.
- It can support assessments of the entity's compliance with spending mandates expressed in cash flow terms, and inform assessments of the likely amounts and sources of cash inflows needed in future periods to support service delivery objectives.

The Statement of Changes in Net Assets/Equity

- It shows how management has utilised and managed public resources over the reporting period, enhancing transparency and accountability.
- It explains movements in accumulated surpluses or deficits, revaluation reserves, and other components of net assets, helping users understand how the financial position has evolved.
- It bridges the Statement of Financial Performance and the Statement of Financial Position by reconciling opening and closing balances of net assets.
- It discloses the effects of changes in accounting policies, prior period errors, and other adjustments, ensuring users can assess their impact.
- Unlike private sector equity, it highlights changes not arising from ownership transactions, which is particularly relevant in the public sector context.
- It provides stakeholders (e.g., government, donors, oversight bodies) with insights into financial sustainability and resource management.

Statement of Comparison of Budget and Actual Amounts

- It enables users to assess how well the entity has adhered to its approved budget, reinforcing accountability in the use of public resources.
- By comparing actual results with budgeted figures, stakeholders can evaluate the efficiency and effectiveness of management in implementing planned activities.
- It highlights differences between budget and actual amounts, allowing users to identify areas of over- or under-spending and investigate underlying causes.
- The statement promotes openness by showing whether public funds were utilised as authorised.
- It supports future planning and control by providing insights into budgeting accuracy and execution challenges.
- Many public sector budgets are legally binding; this statement demonstrates whether the entity has complied with those requirements.

Notes to the Statements

Information about financial position, financial performance and cash flows are typically presented in financial statements. To assist users to better understand, interpret and place in context the information presented in the financial statements, GPFs may also provide financial and non-financial information that

enhances, complements and supplements the financial statements, including information about such matters as the government's or other public sector entity's:

- Compliance with approved budgets and other authority governing its operations;
- Service delivery activities and achievements during the reporting period; and
- Expectations regarding service delivery and other activities in future periods, and the long-term consequences of decisions made and activities undertaken during the reporting period, including those that may impact expectations about the future.

(5 marks)

ii) **Elements of financial statements**

Elements are the building blocks upon which financial statements are constructed. They are the broad classes or grouping of financial events or transactions used in the financial statements. The elements include assets, liabilities, revenues, expenses and owners' contributions and distribution.

An *asset* is defined as a resource presently controlled by the entity as a result of a past event. A resource is an item with service potential or the ability to generate economic benefits. Public sector assets that embody service potential may include recreational, heritage, community, defence and other assets which are held by government to provide service to third parties.

Control indicators:

- legal ownership;
- access to the resource, or ability to deny or restrict access;
- means to ensure the resources is used to achieve the objectives of the entity;
- existence of an enforceable right to service potential or ability to generate economic benefits arising from a resource.

Past events give control to an entity and include purchase/develop in exchange transactions and non-exchange transaction e.g. exercise of Sovereign Power such as power to tax, issue licenses, to access or restrict/deny access to intangible assets. Entity's control right arises when there is a general ability to establish power; establishment of a power through a status; exercising the power to create a right: events which give rise to the right to receive resources from an external party.

A *liability* is defined as present obligation of the entity for an outflow of resources that results from a past event.

Public sector entities can have a number of obligations. A present obligation is legally binding obligation (legal obligation) or non-legally binding obligation, which an entity has little or no realistic alternative to avoid. Obligations are not present obligations unless they are binding and there is little or no realistic

alternative to avoid an outflow of resources. A liability must involve an outflow of resources from the entity for it to be settled. An obligation that can be settled without an outflow of resources from the entity is not a liability. Only past event can give rise to a liability. Commitment for example is a future event.

Revenue is defined as an increase in the net financial position of the entity, other than increases arising from ownership contributions.

Expenses represent decreases in net assets/equity during the reporting period, other than those relating to distributions to owners (which are generally not applicable in the public sector).

Owners' contributions refer to inflows of resources provided to an entity by its owners (typically government or controlling bodies) that establish or increase an interest in the net assets/equity of the entity.

(5 marks)

b) **Reasons Public Sector Organisations Should Engage in Sustainability**

Enhancing Transparency and Public Accountability

A primary driver for sustainability reporting in the public sector is the fundamental duty to be transparent and accountable to citizens. Sustainability reporting provides a structured mechanism to disclose how they are managing sustainability risks and opportunities, such as climate change, and what impact their policies and operations are having on the environment and society. This allows citizens and other stakeholders to better understand the government's actions and hold them accountable for their sustainability commitments and performance.

Strengthening Governance and Informed Decision-Making

Sustainability reporting is a powerful tool for improving governance within public sector organisations. The process of collecting and analysing sustainability data generates essential evidence that can inform policy adjustments and resource allocation. It helps governments move beyond intention by creating measurable strategies and key performance indicators. This data enables them to assess the effectiveness of current sustainability strategies, understand the impact of climate change on public finances and service delivery, and make more informed decisions about future policies and programmes.

Demonstrating Leadership and Influencing the Private Sector

Public sector adoption of robust sustainability reporting standards can have a transformative ripple effect throughout the entire economy. When governments lead by example and report transparently on their own sustainability performance,

they inspire private companies to improve their practices. This helps create an overarching culture of sustainability that benefits the nation as a whole.

Improving Risk Management, Particularly for Climate Change

Governments face significant and interconnected risks, from the physical impacts of climate change to transition risks arising from shifts in technology and regulations. Sustainability reporting provides a robust framework for identifying, assessing, and managing these risks. It helps governments understand their exposure to climate-related events, integrate these considerations into fiscal and economic planning, and communicate their management strategies to stakeholders.

Aligning with and Supporting Achievement of National and Global Goals

Sustainability reporting is crucial for ensuring that a nation's strategies and commitments, such as its climate goals or the UN Sustainable Development Goals (SDGs), are not just aspirational but are actively being pursued and measured. It enables governments to align their efforts with broader environmental targets, and track progress in a transparent and verifiable manner. Reporting helps to connect high-level policy ambitions with on-the-ground implementation

(4 relevant points for 4 marks)

c)

i) **Importance of Nolan's seven principles of public life:**

- **Building public trust is essential for effective governance.** When leaders are honest and transparent, people believe they are working for the public good.
- **Preventing corruption ensures the fair use of public resources and power.** Clear rules and accountability help stop the misuse of authority and public funds.
- **Enhancing democracy requires openness and accountability.** Open government allows citizens to stay informed and hold leaders responsible for their actions.
- **Encouraging ethical leadership promotes high moral standards in public service.** When leaders act with integrity, they inspire others to do the same and uphold ethical values.

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

ii) **Limitations seven principles of public life (Nolan principles):**

- The principles serve as guidelines rather than legally binding rules. There are no direct penalties for non-compliance, making enforcement dependent on self-regulation and public scrutiny rather than legal mechanisms.
- Principles like "Integrity" and "Leadership" are broad and open to interpretation, leading to inconsistencies in application. Public officials may justify unethical behaviour based on different understandings of these principles.

- The effectiveness of these principles depends on individuals' willingness to uphold them. Without strong institutional support, adherence is left to personal ethics, which can be unreliable.
- While “Accountability” is a principle, real-world consequences for ethical breaches are often weak. Political leaders and officials may evade responsibility due to loopholes, lack of oversight, or political protection.
- The principles do not provide clear procedural guidance on how to apply them in real-life scenarios. Unlike corporate or legal codes, they do not include step-by-step compliance measures.
- In some environments, corrupt or unethical cultures may override the principles. If ethical behaviour is not actively encouraged at all levels, these principles may be ignored or selectively applied.
- The Nolan Principles were developed in the UK context and may not fully address ethical challenges in different cultural or legal systems. Some countries require more detailed or legally enforceable frameworks to prevent corruption.

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

(Total: 20 marks)

EXAMINER’S COMMENTS

Overall, the question was moderately well attempted. However, Part (a) was not answered satisfactorily despite its relatively low level of difficulty. It was surprising that many candidates were unable to identify the components and explain their informational relevance. A similar trend was observed in Part (b), where candidates struggled to explain the basic elements of financial statements. This raises concerns about the depth of accounting knowledge among candidates. Part (c) on sustainability reporting was answered satisfactorily, with candidates demonstrating a good understanding of sustainability within the public sector accounting context. The question on the Nolan Principles in Part (d) proved popular among candidates; however, many did not address the requirement as set. Instead of discussing the importance and limitations of the principles of public life, candidates largely focused on listing and explaining the seven principles. This misinterpretation significantly affected their performance on an otherwise familiar topic.

CONCLUSION AND RECOMMENDATIONS

In conclusion, the examination provided a fair and comprehensive assessment of the syllabus and candidates' competencies. While a few candidates demonstrated strong understanding and application of key concepts, overall performance indicates notable gaps in syllabus coverage, interpretation of requirements, and practical application—particularly in IPSAS and financial reporting. These challenges highlight the need for improved preparation, broader study approaches, and stronger analytical skills among candidates. It is recommended that both candidates and educators place greater emphasis on application-based learning and examination techniques. With sustained effort and targeted improvements, future performance is expected to improve significantly.

Based on insights gained from the marking process, the following recommendations are proposed:

- *Thorough preparation:* Candidates should dedicate adequate time to studying the subject. The use of ICAG Study Texts, Question Banks, and support from Partners in Learning (PIL) is highly recommended. At least six hours of personal study per week, in addition to lectures, is advisable to develop the required depth of understanding.
- *Stronger focus on IPSAS:* Greater attention should be given to IPSAS, as it remains a key area of weakness for many candidates.
- *Broad syllabus coverage:* Candidates should adopt a comprehensive study approach and avoid focusing on selected topics only. Since all areas are examinable, balanced preparation is essential for improved performance.
- *Improved time management:* Candidates should allocate time to questions in proportion to their marks. For instance, a 10-mark question should take about 18 minutes. Spending excessive time on certain questions, particularly financial reporting, can limit the ability to complete the paper.
- *Do not underestimate the paper:* Candidates with exemptions (e.g. PhD, MPhil, MBA, MSc holders) should not assume the paper will be easy. Success requires current knowledge and practical understanding of public sector financial management, regardless of prior qualifications.