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

EXAMINER'S GENERAL COMMENTS

Overall, the examination paper was of an acceptable standard and provided adequate coverage of the prescribed syllabus. The questions effectively assessed both theoretical knowledge and the practical application of public sector accounting principles. However, candidates' overall performance fell below expectations.

STANDARD OF THE QUESTIONS

The examination questions were set at an appropriate standard, demonstrating broad coverage of the syllabus, clear requirements, internal consistency, and a reasonable time allocation. The paper comprised five questions with multiple sub-parts, allowing comprehensive assessment of the syllabus content. Overall, the questions were consistent with the level of knowledge and competencies expected of candidates. From a cognitive perspective, the paper was well aligned with Bloom's Taxonomy, with particular emphasis on application and analytical skills in accordance with the learning outcomes.

PERFORMANCE OF CANDIDATES

Candidates' overall performance was below expectation. Although candidates demonstrated reasonable knowledge in some areas of the syllabus, significant weaknesses were evident in the application of IPSAS standards and certain specialised public sector accounting concepts.

GENERAL WEAKNESSES OF CANDIDATES

Several recurring weaknesses were observed in candidates' performance across the examination:

- Some candidates struggled to fully grasp and respond to the specific demands of questions.
- A significant number of candidates appeared to focus narrowly on selected areas, particularly financial statement preparation, while neglecting other parts of the syllabus. This limited scope hindered their ability to attempt all questions effectively.
- Many candidates demonstrated insufficient practical understanding of IPSAS, which adversely affected their performance, particularly in Question 2.
- The proper classification of financial items in accordance with the Government Chart of Accounts remains a major challenge for some candidates.
- 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.
- 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 the Trial Balance of the Consolidated Fund of Ghana for the year ended 31 December, 2024.

	DR	CR
	GH¢ million	**GH¢ million**
Established Post Salaries (iii)	8,400	
Night Allowances	540	
Non-Established Post Salaries	760	
Communications Service Tax		6,540
Transfer Grant	1,200	
Rent Income		890
PAYE		12,500
Travel and Transport	570	
Utility Charges	260	
Training/Seminars and Conferences	901	
Consultancy	430	
Stationery Inventory (1 January 2024)	27	
Stationery Purchased	954	
Vehicles Income Tax		3,200
Corporate Tax		8,800
Grants (iv)		350
Customs and Excise Duties		2,300
Subsidies for Consumption	1,200	
Capitation Grant	650	
Value Added Tax		6,600
NHIS	3,600	
State Protocol	450	
Royalties		120
External Debt Interest (iii)	2,540	
Domestic Debt Interest (iii)	650	
Property, Plant and Equipment (v)	38,030	1,082
Infrastructure (v)	10,100	1,334
Work in Progress	870	
Investment Property (v)	10,000	1,250
Software (v)/(iv)	9,200	2,346
Contingency Fund		23,700
Equity and Security Investment	12,700	
Loans and Advances	6,800	
Proceeds from Sale of Goods		4,320
Judgment Debt	1,200	
Cash and Cash Equivalent	11,080	
Domestic Debt		15,720
Payables		3,240
External Debt		79,400
Dividend		560
Other Expenditure	240	
Receivables	2,300	
Accumulated Fund (1 January 2024)	48,600	
	174,252	**174,252**

Additional information:

i) It is the policy of Controller and Accountant-General to use Accrual Basis of Accounting in preparing the Public Accounts of the Consolidated Fund financial statements in compliance with Public Financial Management Act, 2016 (Act 921), Public Financial Management Regulation 2019 (L.I. 2378) and the International Public Sector Accounting Standards (IPSAS).

ii) Stationery inventory acquired for administrative purposes outstanding as at 31 December 2024 cost GH¢33 million and has a current replacement cost of GH¢28 million. Meanwhile, the net realisable value of the inventory is estimated at GH¢30 million.

iii) An established post salary in arrears as a result of salary increment in October 2024 was GH¢101 million and public debt interest outstanding as at 31 December 2024 amounted to GH¢ 18 million.

iv) The grant shown in the Trial Balance as revenue relates to a Project Grant which Government applied from the Canadian government for the construction of a national museum in Kumasi. The total funds granted amounted to US$40 million but the grant recorded in the Trial Balance represents part of the expected grant. The Minister for Finance and the Controller and Accountant-General have provided enough evidence indicating that Government will fulfil all the conditions that merit the full release of the Grant to the State and it is highly probable that the remaining Grant will be released. The exchange rate as at the reporting date was GH¢14 to US$1.

v) Consumption of fixed assets is charged on straight line basis for the year as follows:

Asset	**Useful life**
Property, Plant & Equipment	10 years
Investment Property	40 years
Infrastructure	30 years
Software	10 years

vi) The Controller and Accountant-General adopted the cost model for the investment property. However, from 1 January 2024 the government decided to change its accounting policy on investment property from cost model to fair value model. The fair value of the investment property was GH¢11 billion and GH¢12 billion at 1 January 2024 and 31 December 2024 respectively.

Required:

Prepare in a form suitable for publication and in accordance with the relevant financial laws and IPSAS and current chart of account:

a) Statement of Financial Performance for the year ended 31 December 2024. **(9 marks)**

b) Statement of Financial Position as at 31 December 2024. **(8 marks)**

c) Under what circumstances will it be permissible for a public sector entity to change its accounting policy. **(3 marks)**

(Total: 20 marks)

QUESTION TWO

a) Ghana Highways Authority (GHA) was engaged by the Ghana Cocoa Board to build cocoa roads and a bridge which is crucial for carting cocoa from the hinterlands to the Takoradi Port for export. The two institutions draw appropriation from Government of Ghana for their existence with exception of some Internally Generated Funds (IGF) which are generated by the institutions themselves.

This contract came about as the Minister for Finance who is the Board Chairman of the Ghana Cocoa Board was informed during the 24^{th} meeting of the Board that, there were some huge amounts of cocoa beans locked up in the hinterlands due to bad nature of roads in that area. The non-export of this amount of cocoa would affect the revenue target of the national budget and the projected GDP growth rate of the government. The award of this contract therefore had a strong government backing.

The initial estimated contract cost agreed between the parties was GH¢11,200,000. The construction spanned a period of 3 years covering 2022 to 2024. Despite making sufficient budgetary allocation for projects of these government institutions, the government made an appeal to its Development Partners for assistance where the Chinese government stepped in to assist GHA financially with half of the contract cost with a written note to accept any increase or contract cost variations during the life of the project.

By the end of 2022, it was noted that the Projects Officer who computed the contract cost made a mistake where the additions should have been GH¢70,000 more in the contract cost. In the year 2023, an inevitable variation was approved increasing the contract cost to GH¢11,480,000. Some requisite items bought for the project in year 2023 valued at GH¢140,000 remain in stock for usage in the last year of the project.

GHA calculates its construction contract stage of completion by using the proportion that contract costs incurred for work performed to date bear to the latest estimated total contract costs.

The Accountant captures these figures for the construction work undertaken by GHA for the various years as follows:

	2022	**2023**	**2024**
	GH¢'000	**GH¢'000**	**GH¢'000**
Contract cost incurred to date	2,930	8,635	11,480
General administration expenses	1,300	2,400	6,800
Contract cost to complete	8,340	2,845	-
Head office night-watchmen	2,800	4,200	7,200
Initial contract revenue agreed	5,600	5,600	5,600
Contract revenue variation		140	140

Required:

i) Present a statement showing the percentage stage of completion for each of the years. **(7 marks)**

ii) Prepare a statement of financial performance extract for the years ended under review showing recognition of contract revenue and expenses. **(8 marks)**

b) In the compilation of whole-of-government financial statements, the consolidation of financial statements of Central Government, Local Government and Public Sector Government Business Enterprises who are SIGA members are key in achieving whole-of-government financial statements by the Controller and Accountant-General.

In that process, financial statements of the various government controlled and uncontrolled entities are combined, on line by line basis or by taking proportion of interest held in those entities to arrive at government financial statements.

Required:
Indicate the procedures in line with ***IPSAS 35: Consolidated Financial Statements*** in the preparation of whole-of-government financial statements in Ghana. **(5 marks)**

(Total 20 marks)

QUESTION THREE

a) The Allied Health Professions Council (AHPC) invited you, the Director of Finance of the Health Ministry to present a paper on the topic *"Understanding the ABC of Public Financial Management: The Role of Principal Spending Officers"* at their upcoming 10th Annual General Meeting. This subject was carefully chosen to facilitate member's appreciation of the management of public funds. You are among a number of facilitators selected to handle the topic.

Required:
Develop a paper on the topic to cover the following:

i) Conceptual definition of Public Financial Management in line with the Public Financial Management Regulation 2019, (L.I. 2378). **(2 marks)**

ii) The primary phases of the Public Financial Management cycle highlighting on the nexus between the phases. **(10 marks)**

b) The Government of Ghana as part of its strategies to improve on revenue collection across the various Ministries, Department and Agencies has entered into an arrangement with selected commercial banks for the collections of cash revenue at selected covered entities. The main objective of the arrangement is to eliminate revenue leakages and improve on cash deposits into the consolidated fund. Since the inception of this system, some heads of covered entities have relegated their responsibilities over collection and lodgements of non-tax revenue as stated in regulation 46 of the Public Financial Management Regulation (PFMR) 2019, (L.I. 2378) leaving some of the banks to go contrary to the arrangement. Also, some of the Principal Spending Officers (PSO) do not see the need to be responsible for the accounting and disclosure of non-tax revenue as required by the Regulations under this new arrangement.

Required:

i) Explain **TWO** responsibilities of the Principal Spending Officer for Collection and lodgement of non-tax revenue. **(2 marks)**

ii) Identify **FOUR** disclosure requirements a Principal Spending Officer is expected to report when accounting for non-tax revenue collected, lodged or retained in line with PFMR 2019, (L.I. 2378). **(6 marks)**

(Total: 20 marks)

QUESTION FOUR

a) The Head of Accounts of Ghana Library Authority (GLA) of the Education Ministry made a presentation on the financial status of the Authority at their last Board meeting. In the presentation, she provided a three-year trend of both the statement of financial performance and statement of financial position of the Authority. The results from the figures though positive, were not convincing to members after a member raised concerns about the raw nature of the data. The meeting therefore requested the Head of Accounts to go and come back with a better comparative analysis on the financial statements at the next meeting for informed decisions to be taken by the Board.

In a related development, the Head of Accounts discussed the outcome of the Board meeting with you, his deputy, knowing your solid background in Public Sector Accounting and wanted your advice.

Required:

i) Explain **TWO** benefits of financial statement analyses to the Head of Accounts. **(2 marks)**

ii) Explain **TWO** analytical techniques that the Head of Accounts could use to revise the report to the Board. **(4 marks)**

b) The financial results for year ended 31 December 2024 of two regional public hospitals; Southy Regional Hospital (Southy) and Northy Regional Hospital (Northy) are presented below:

Statement of Financial Performance

	Southy GH¢'000	**Northy GH¢'000**
Revenue		
GoG Subvention	5,630	6,090
Non-Tax Revenue	4,180	5,820
Grant	-	55
	9,810	**11,965**
Expenditure		
Compensation of Employees	5,630	6,090
Goods and Services	2,150	4,420
Grants	800	115
	8,580	10,625
Net Operating Results	**1,230**	**1,340**

Statement of Financial Position

	Southy GH¢'000	Northy GH¢'000
Assets		
Non-Current Assets	**20,460**	**18,270**
Current Assets		
Receivables	980	1,970
Inventory	770	790
Cash	750	550
	2,500	**3,310**
	22,960	**21,580**
Funds and Liabilities		
Accounts Payable	1,810	2,560
Accumulated Fund	21,150	19,020
Total Funds and Liabilities	**22,960**	**21,580**
Note: Net Assets as at 1 January 2024	19,920	17,680

Required:

i) Undertake financial analyses to confirm or otherwise that the financial performance of Northy was better. **(2 marks)**

ii) Using four metrics, determine which hospital has been more efficient with utilisation of their respective public resources for service delivery. **(8 marks)**

iii) Establish the hospital with the healthier Working Fund (working capital) and Quick Liquidity indexes. **(4 marks)**

(Total: 20 marks)

QUESTION FIVE

a) One of the core implementations challenges of full accrual based International Public Sector Accounting Standard (IPSAS) encountered by many developing countries over the years has been the recognition of fixed assets especially legacy assets on the face of financial reports of public entities. To address this, Section 52 of the Public Financial Management (PFM) Act 2016, (Act 921) requires Principal Spending Officers to ensure that proper control systems exist for the custody and management of assets. In addition, regulation 156 of the PFM Regulation 2019, (L.I. 2378) demands Principal Spending Officers to establish Fixed Assets Coordinating Units to assist them in the management of fixed assets.

Required:

i) Explain what constitute proper control systems for custody and management of assets as stipulated by the PFM Act, 2016 (Act 921). **(4 marks)**

ii) State **FOUR** core responsibilities of the Fixed Assets Coordinating Unit (FACU) as spelt out by the PFM regulations. **(6 marks)**

b) Management of public finances is a collective responsibility of many public institutions. This ensures that public resources are prudently used and accounted for in a transparent manner. Among the key public financial management institutions is the Ministry of Finance.

Required:
Explain **FIVE** functions of the Ministry of finance which contribute to macroeconomic and financial management of Ghana's economy. **(10 marks)**

(Total: 20 marks)

SUGGESTED SOLUTION

QUESTION ONE

a) **Consolidated Fund of Ghana**
Statement of Financial Performance for The Year Ended 31 December, 2024

	Notes	GH¢ million
Revenue		
Direct Taxes	2	24,500
Indirect Taxes	3	15,440
Non-tax Revenues	4	6,890
Grants and Donations	5	560
		47,390
Expenses		
Compensation	6	10,461
Goods and services	7	5,304
Public debt interest	8	3,208
Subsidies	9	1,850
Social benefit		3,600
Consumption of fixed assets	10	5,060
Other expenses		240
Total		**29,723**
Surplus		**17,667**

b) **Consolidated Fund of Ghana**

Statement of Financial Position as at 31 December 2024

	Notes	GH¢ million
Assets		
Non-Current Assets		
PPE	10	33,145
Investment Property	10	12,000
Infrastructure	10	8,429
Work in progress		870
Intangible assets	10	5,934
Financial assets	11	19,500
		79,878
Current Assets		
Inventory		28
Receivables	12	2,510
Cash and cash equivalent		11,080
		13,618
Total Assets		**93,496**
Liabilities and Funds		
Liabilities		
Current liabilities		
Payables	13	3,359
Long term liabilities		
External debt		79,400
Domestic debt		15,720
Funds		
Contingency Fund		23,700
Accumulated fund		(30,933)
Revaluation surplus	14	2,250
Total Funds and Liabilities		**93,496**

Workings

2. Direct taxes

	GH¢ million
Vehicle income taxes	3,200
Corporate taxes	8,800
PAYE	12,500
	24,500

3. Indirect taxes

	GH¢ million
Communication taxes	6,540
Customs duties	2,300
VAT	6,600
	15,440

4. Non-tax revenue

	GH¢ million
Rent Received	890
Royalties	120
Sale of goods	4,320
Dividend received	560
Revaluation gain	1,000
	6,890

5. Grants and donations

	GH¢ million
Per TB	350
Receivable	210
	560

6. Compensation

	GH¢ million
Established post	8,400
Non established post	760
Transfer grant	1,200
Arrears	101
	10,461

7. Goods and services

	GH¢ million
Night allowances	540
Travel and transport	570
Utility charges	260
Training/seminar and Conferences	901
Consultancy	430
Stationery (27+954-28)	953
State protocol	450
Judgement debt	1,200
	5,304

8. Public debt interest

	GH¢ million
External debt interest	2,540
Domestic debt interest	650
Arrears	18
	3,208

9. Subsidies

	GH¢ million
Consumption	1,200
Capitation grant	650
	1,850

10. Non-current assets

	PPE	Investment Property	Software	Infra structure	Total
	GH¢ million	GH¢ million	GH¢ million	GH¢ million	GH¢ million
Cost					
Bal-1/1/24	38,030	10,000	9,200	10,100	67,330
Revaluation surplus		(10,000)			(10,000)
Revaluation surplus		11,000			11,000
Income statement		1,000			1,000
Bal-31/12/24	38,030	12,000	9,200	10,100	69,330
Depreciation					
Bal-1/1/24	1,082	1,250	2,346	1,334	6,012
Revaluation surplus		(1,250)			
Charge for the year	3,803	-	920	337	5,060
Bal-31/12/24	4,885	-	3,266	1,671	9,822
NBV-31/12/24	**33,145**	**12,000**	**5,934**	**8,429**	**59,508**

11. Financial assets

	GH¢ million
Equity investments	12,700
Loans and advances	6,800
	19,500

12. Receivables

	GH¢ million
Per TB	2,300
Grant receivable	210
	2,510

13. Payables

	GH¢ million
Per TB	3,240
Compensation arrears	101
Interest arrears	18
	3,359

14. Revaluation surplus

	GH¢ million
Cost of assets	10,000
Accumulated depreciation	(2,250)
Net Book Value	7,750
Fair Value	11,000
Balance c/d	**3,359**

Accumulated fund

	GH¢ million
Bal-1/1/24	(48,600)
Surplus for the year	17,667
Bal-31/12/24	**(30,933)**

(Marks evenly spread using ticks = 17 marks)

c)

A public sector entity is permitted to change an accounting policy only if the change:

- is required by a n IPSAS; or
- results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance, or cash flows.

(3 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

The question was generally well answered. However, the section relating to changes in accounting policy was poorly answered by many candidates despite the popularity of the question. Some candidates incorrectly attributed changes in accounting policy to events such as economic crises, natural disasters, and similar external factors rather than the circumstances prescribed under IPSAS.

QUESTION TWO

a)

i) Computation of Percentage stage of Completion

	2022	**2023**	**2024**
	GH¢'000	**GH¢'000**	**GH¢'000**
Contract costs to complete	8,340	2,845	-
Total estimated Contract Costs	11,270	11,480	11,480
Stage of Completion	0.26	0.74	1.00
Percentage stage of Completion	26%	74%	100%

(7 marks)

ii) **Financial statement extracts**

	To date	**Recognised in previous year**	**Recognised in current year**
	GH¢'000	**GH¢'000**	**GH¢'000**
2022			
Revenue (5,600*26%	1,456.00		1,456.00
Expenses (11,270*26%)	2,930.00		2,930.00
2023			
Revenue (5,740*26%)	4,247.60	1,456.00	2,791.60
Expenses (11,480*26%)	8,495.00	2,930.00	5,565.00
2024			
Revenue (5,740*100%)	5,740.00	4,247.60	1,492.40
Expenses (5740*100%)	11,480.00	8,495.00	2,985.00

(8 marks)

b) In preparing the whole-of-government financial statement in Ghana, certain key processes and activities are involved. The major process is the combination/aggregation of figures of financial statements of all government entities, controlled and in those which it has investments, to prepare a single financial report. The process involves elimination of inter entity or inter government transaction and balances.

Key characteristics of this process involves the following:

i) Combination of like items of assets, liabilities, revenue, expenses and cash flows of the controlled entities, and proportionate interest in investments and in associates

ii) Offset of the controlling entity's investment in each controlled entity and controlling entity's portion of net assets/equity of each controlled entity.

iii) Elimination in full of intra-economic entity assets, liabilities, revenue, expenses and cash flows resulting from transactions between entities. The identification and elimination of Inter–entity transactions are for avoidance of double counting in the whole of government financial statements.

iv) Where the public sector entity uses different standards, the entity would have to adjust its financial statements to comply with the accounting standards (IPSAS) and time frame of government to facilitate the preparation of annual whole-of-government financial statements. The use of uniform accounting policies satisfies financial reporting regulations and communicates a reliable financial information to users.

(5 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS
Both parts of this question were poorly answered. With respect to construction contracts, many candidates did not attempt the question, while those who did demonstrated uncertainty regarding the required computations and accounting treatments.

The consolidation question was widely misunderstood, with several candidates confusing consolidation principles with the qualitative characteristics of financial reporting. This was the poorest answered question in the Paper.

QUESTION THREE

a)

A PAPER ON ABC OF PUBLIC FINANCIAL MANAGEMENT

Introdcution

The subject of Public Financial Management is very broad with many disciplines. This paper would provide a basic overview to set the tone for further discussion by other facilitators.

i) **Conceptual definition of Public Financial Management in line with the Public Financial Management Regulation, 2019 (L.I. 2378)**

Public Financial Management refers to laws, rules, systems and processes used by the Government to mobilise revenue, allocate public funds, undertake public spending, account for funds and audit results. This definition generally fits into most definition of PFM by various scholars and international organisations.

(2 marks)

ii) **The primary phases of the Public Financial Management cycle highlighting on the nexus between the phases.**

The definition suggests that PFM goes through various stages which contain various activities. Hence PFM practices are routine and could be seen similar to a production line. A deficiency in one stage is affects all other succeeding phases. Each of the stages are backed by legislations and other departmental instructions. Generally, a typical PFM cycle is sequentially made up of the following:

Planning

This is the start point and foundation of PFM in Ghana at the national level, it is presently coordinated by the National Development Planning Commission (NDPC). They set the tone for all planning in the public sector. The comprehensive nature of planning determines the outcome of the remaining stages.

This stage involves setting financial objectives and priorities for the government or public entity. It includes the assessment of revenue sources; expenditure needs and fiscal policies. Key activities include economic forecasting, revenue estimation, and setting budgetary targets.

Budget Preparation

Effective budgeting is a critical process in the public financial management cycle. Public entities budgets do not only deploy the strategic plans of government, but also legally authorizes any government revenue collection and expenditure for a fiscal year. Thus the 1992 constitution requires "the president to prepare and lay before parliament at least one month before the end of the financial year, estimates (budgets) of the Revenue and Expenditure of the Government for the ensuing year. The process of budgeting in the public sector begins by the issuance of budget guidelines by the finance ministry. The budget of government is made up of individual covered entities budget put together at various level and finally at the

Finance Ministry. The finance ministry collates the various budget for cabinet approval.

Budget Approval

Upon the approval of the budget by cabinet chaired by the president, the budget then has to be submitted to parliament for their review and approval in order to make it legal. This stage is critical as government has the duty to provide detailed explanation to the various provisions in the budget to enable approval. Once the budget is debated by parliament and finally approved it becomes law. Parliament is the only institutions allowed to approved budgets of government machinery.

Budget Execution

Budget execution is the implementation of the approved budget by MDAs and MMDAs It involves the generation and collection of budgeted revenue as well as the incurring and payment of budgeted expenditures. Its focus is about resource management, hence covers procurement processes, payment of salaries, use of goods, Services and works. The implementation of all phases of the budget is done within a system of effective standards, process and internal controls, ensuring that resources are obtained and used as intended. This stage make use of several PFM legislations, regulations, rules and instructions.

Recording, Accounting and Reporting

As part of the stewardship responsibility of public officers, this stage of PFM demands that day to day activities of public entities including financial activities are recorded, accounted for and reported to appropriate authorities.

This phase involves maintaining accurate records of financial transactions and activities whiles implementing the budget. It includes recording revenues received, expenditure made and assets acquired. Financial reports including financial position, performance, and cash flow statements are prepared to provide stakeholders with information on the financial status and performance of the government or public entity. This phase in addition, include non-financial report of programme implementation.

Audit and Reviews

The audit and review stage are the last phase of the PFM cycle. It covers internal and external audits including parliamentary oversight.

Internal audit is a monitoring mechanism helping public sector organizations to continuously identify and manage risks and ensure the attainment of corporate goals. Whiles the external audit is the review of the outputs of all the prior stages by an independent person (Auditor) with aim of providing assurance on the efficiency and effectiveness in generation and use of public funds. This report helps to give credibility to the entity and give confidence to the citizens regarding the appropriateness in the utilization of public funds.

The parliamentary oversight enables government entities to be account for their stewardship to the people of Ghana through the Public Accounts Committee of parliament. It requires from public officials to be answerable for what has been accomplished or not accomplished from resources entrusted to their care.

(1.5 marks for each stage identified and explained = 9 marks, 1 mark for sequential connection of stages)

b)

i) **A Principal Spending Officer shall:**

- Ensure that non-tax revenue is efficiently collected;
- Ensure that non-tax revenue is immediately lodged in gross within twenty-four hours in the designated consolidated fund transit bank accounts except in the case of internally- generated funds retained under an enactment; and
- Monitor and ensure that non-tax revenue lodged into the transit bank accounts are promptly transferred into the main Consolidated Fund bank account.

(1 marks for each point raised for maximum of 2 points = 2 marks)

ii) **A Principal Spending Officer is expected to report the following disclosure requirements when accounting for non-tax revenue collected, lodged or retained in line with PFMR (L.I. 2378).**

- The collection points of the department in the regions and districts by the type of non-tax revenue;
- The extent to which the department revenue target for the month has been achieved and measures that need to be taken to address any shortfall;
- Expenditure incurred out of retained non-tax revenue including internally generated funds classified according to the budget classification;
- Non-tax revenue including internally generated funds due but not collected;
- Any non-tax revenue including internally generated funds leakages and measures to address them; and
- Certification confirming reconciliation of lodgements with collections.

(1.5 marks each for maximum of 4 points = 6 Marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

This was one of the best answered questions of the Paper and was attempted by the majority of candidates. Candidates demonstrated a good understanding of the Public Financial Management cycle. However, many candidates did not adequately address the functions of the Principal Spending Officer in relation to Internally Generated Funds (IGFs). Instead, they discussed the Principal Spending Officer's general financial responsibilities without focusing on the specific statutory responsibilities relating to IGFs.

QUESTION FOUR

a)

i) **Benefits of financial statement analysis.**

- **Performance evaluation:** Acts as a scorecard to track revenue, expenses, and profits over time, identifying which products or departments are driving growth.
- **Future forecasting:** Helps management predict future trajectories and set realistic goals for expansion, cost-cutting, or restructuring.
- **Operational efficiency:** Pinpoints financial waste and operational inefficiencies to optimize daily business processes.
- **Liquidity and solvency assessment:** Evaluates whether a company can cover its short-term debts and long-term liabilities, preventing bankruptcy.
- **Early warning signs:** Detects declining margins or cash flow problems early, allowing businesses to pivot before a crisis occurs.

(2 relevant points @ 1 mark each = 2 marks)

ii) **Analytical techniques that the Head of Accounts could use to revise the report to the Board.**

1) **Horizontal (Trend) Analysis**
This involves comparing financial statement items over the three-year period to identify the direction and rate of change from one year to the next. Each year's figure is compared with a base year (or the preceding year), and the change is expressed in both absolute and percentage terms.

Application for GLA
Instead of merely listing revenue or expenditure figures for Years 1, 2, and 3, the Head of Accounts should show the percentage increase/decrease in items such as government subventions, internally generated funds (IGF), compensation of employees, and goods and services expenditure year-on-year. This will reveal whether the Authority's financial performance is genuinely improving, stagnant, or declining, and will make the positive results claim verifiable to the Board.

2) **Vertical (Common-Size) Analysis**
This technique expresses each item in the statement of financial performance or statement of financial position as a percentage of a common base figure. For example, each expenditure line as a percentage of total expenditure, or each asset as a percentage of total assets, for each of the three years.

Application for GLA
This would allow the Board to see, for instance, what proportion of total expenditure goes to compensation of employees versus goods and services versus capital expenditure in each year, making it easier to assess structural shifts in the Authority's cost base over time, independent of the absolute size of the budget.

3) **Ratio Analysis** This involves computing relevant financial and performance ratios from the statements to assess liquidity, efficiency, financial sustainability, and budget performance, and comparing these ratios across the three years (and possibly against sector benchmarks or budgeted figures).

Application for GLA
Budget utilisation/absorption ratio (actual expenditure ÷ approved budget)
IGF to total revenue ratio (extent of self-financing/ internally generated funds)
Current ratio (current assets ÷ current liabilities) to assess liquidity
Subvention dependency ratio (government subvention ÷ total income)
These ratios would give the Board a more informed, comparative basis for judging the Authority's financial health and performance trends, rather than relying on raw, unadjusted figures.

4) **Budget performance analysis**. It is the systematic assessment of how well a public sector entity has implemented its approved budget by comparing **planned (budgeted)** revenues, expenditures, outputs, and outcomes with **actual** results. It seeks to determine whether public resources have been mobilised and utilized efficiently, effectively, economically, and in accordance with legislative approval.

Applications for GLA
Budget performance analysis in GLA will evaluate the extent to which approved budgets are implemented by comparing planned and actual revenues, expenditures, outputs, and outcomes. It identifies variances, supports accountability, improves resource allocation, informs management decisions, and ensures efficient, effective, and economical use of public resources in achieving organisational objectives.

(2 marks each for 2 points well-explained = 4 marks)

b)
i) To determine which hospital financial performance was better, we should express the Surplus as a percentage of their respective Total Revenue that the use of common size statement:

	Southy	**Northy**
Net Surplus Margin	$\frac{1,230}{9,810}$ X 100%	$\frac{1,340}{11,965}$ X 100%
	12.5%	11.2%

From the above analysis, Southy rather did better than Northy in relative terms. Thus, the use of just financial statement figures to conclude analysis could be misleading.

(2 marks)

ii) The following analysis could be done to assess the efficient utilisation of of public resources at the disposal of the two hospitals using common size:

	Southy	Northy
Employee compensation	$\frac{5,630}{9,810} \times 100\%$	$\frac{6,090}{11,965} \times 100\%$
	57.4%	50.9%

In terms efficient utilisation of available human resources to generate revenue, Northy performed better as relative cost is lower than that of Southy. Meaning, it achieved more with her human resources than Southy.

Use of Goods and Services	$\frac{2,150}{9,810} \times 100\%$	$\frac{4,420}{11,965} \times 100\%$
	21.9%	**36.9%**

Southy hospital performed better with available Goods and Services in the generation of related revenue to that of Northy.

Consumption of Fixed Assets	$\frac{800}{9,810} \times 100\%$	$\frac{115}{11,965} \times 100\%$
	8.2%	**1.0%**

Northy regional hospital did better with regards to utilisation of available assets for service delivery or revenue generation

	Southy	Northy
Return on Net Assets	$\frac{1,230}{19,920} \times 100\%$	$\frac{1,340}{17,680} \times 100\%$
	6.2%	**7.6%**

Although Northy on the surface have a better surplus for the year, there is evidence base on the comparative analysis, it still performed better than Southy though the latter has more asset at the beginning of year than Northy region.

(2 marks for each ratio and interpretation = 8 marks)

iii)

	Southy	Northy
Working fund Index		
Current Asset /Current Liabilities	2,500 / 1,810	3,310 / 2,560
	1.38	**1.29**

Both hospitals working fund index is below the ideal rage of 2:1, however they are in the position to cover their liabilities when they fall due except that Southy Regional hospital has a better position than Northy.

	Southy	Northy
Quick liquidity Index		
(Current Asset – Inventory)/Current Liabilities		
	1,730 / 1,810	2,520 / 2,560
	0.96	**0.99**

Both hospitals are a little below the acceptable index of 1 except that Northy regional hospital has a better position. Thus, the two hospitals would still have some liabilities unpaid should they fall due and inventory are not sold immediately for cash.

(2 marks for each ratio and interpretation = 4 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

The first part of the question, which examined the benefits and techniques of financial statement analysis, was generally well answered. However, candidates performed poorly on the computation and interpretation of financial performance indicators.

QUESTION FIVE

a)

i) A proper control system for custody and management of assets include:

- preventive mechanisms are in place to eliminate theft, loss, wastage and misuse; and
- processes, whether manual or electronic, and procedures are in place for the effective, efficient, economical and transparent use of the assets.

(2 marks each = 4 marks)

ii) **The Fixed Assets Coordinating Unit shall:**

- assist the Principal Spending Officer to take an inventory of fixed assets;
- keep records on fixed assets;
- prepare an annual report on fixed assets;
- coordinate the retirement and disposal of fixed assets of a covered entity;
- coordinate the transfer of fixed assets; and
- assist the Principal Spending Officer to update the register of lands, buildings and all other fixed assets after every acquisition, disposal or transfer of land or building.

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

b) **Functions of the Ministry of Finance in macroeconomic and financial management**

Macroeconomic policy formulation: The Ministry formulates, implements, monitors and evaluates macroeconomic, fiscal and financial policies for sustainable development. It conducts economic analysis, forecasts and modelling to assess economic trends and risks. Based on this analysis, the ministry develops policies related to fiscal policy, monetary policy coordination, exchange rate management and inflation targeting.

Budget preparation and execution: The Ministry of Finance is responsible for coordinating the preparation of the national budget. It works closely with other government ministries, departments and agencies (MDAs) to formulate budgetary allocations based on national priorities and revenue projections. The ministry also monitors budget execution to ensure adherence to fiscal targets and allocates funds according to approved budgetary provisions.

Revenue mobilisation: It ensures effective mobilisation of domestic and external resources. oversees the collection of taxes, duties, and other forms of revenue, ensuring compliance with tax laws and regulations. The ministry may also introduce tax policies and reforms to enhance revenue generation and broaden the tax base.

Allocation and management of resources: The Ministry ensures efficient and effective allocation and prudent management of resources.

Financial management information system: It is the function of the Ministry to establish and disseminate performance-oriented guidelines and deploy efficient financial management information systems.

Promote transparency, probity and accountability: It must ensure commitment to transparency, probity and accountability in the management of financial resources.

Public debt management: It is the function of the Ministry to ensure sustainability of public debt. It is responsible for managing the country's public debt by formulating debt management strategies, negotiating borrowing terms with domestic and external creditors, and monitoring debt levels to ensure sustainability. The ministry may also develop policies to mitigate debt risks, such as refinancing or restructuring existing debt obligations. The Debt Management Office (DMO)of the Ministry is directly in charge of this responsibility.

Development of an efficient financial sector: The Ministry ensures the development of an efficient financial sector that supports structural transformation of the economy, promotes financial inclusion and is well integrated into the global financial system.

Financial sector regulation and oversight: The Ministry of Finance provides regulatory oversight of the financial sector to ensure stability and integrity. It works closely with regulatory agencies such as the Bank of Ghana and the Securities and Exchange Commission to supervise banks, non-bank financial institutions, and capital markets. The ministry may also introduce financial sector reforms to enhance regulatory frameworks and promote financial inclusion.

(5 relevant points @ 2 marks each = 10 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

This question was generally answered well. Nevertheless, some candidates demonstrated limited knowledge of the role of Fixed Asset Coordinating Units within covered entities. In addition, many candidates were unable to discuss adequately the statutory functions of the Minister for Finance as required by the question.

CONCLUSION AND RECOMMENDATIONS

The overall performance of candidates in this paper was below expectation. While a few candidates demonstrated a sound understanding of key concepts—particularly in areas such as the Public Financial Management framework and selected aspects of financial statement analysis, the majority of candidates exhibited significant weaknesses across several core areas of the syllabus.

In particular, candidates showed limited understanding of certain IPSAS standards, poor application of accounting principles in practical scenarios, and inadequate analytical skills. The persistent challenges in interpreting question requirements, applying the Government Chart of Accounts, and managing examination time effectively further contributed to the overall weak performance.

It is evident that candidates who performed poorly were generally those who had not adequately prepared across the breadth of the syllabus or who relied heavily on rote learning rather than conceptual understanding and application.

In view of the observed weaknesses, the following recommendations are made to improve future performance:

- Candidates should ensure comprehensive coverage of the entire syllabus, with particular attention to IPSAS and public financial management regulations. Greater emphasis should be placed on the practical application of IPSAS, especially in areas such as consolidation, construction contracts, and other reporting issues.

- Candidates should be prepared to interpret financial information and apply appropriate analytical techniques, including ratio analysis and performance evaluation.

- Candidates should be encouraged to carefully read and interpret question requirements to avoid misinterpretation and irrelevant responses.

- Regular practice under examination conditions is recommended to help candidates allocate time effectively across all questions. Candidates are strongly advised to engage in thorough and consistent study, supported by revision of past questions and professional guidance, to meet the rigorous standards of ICAG examinations.

- Tuition providers should place greater emphasis on application-based learning and scenario analysis rather than purely theoretical instruction.