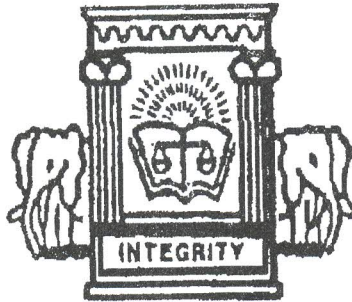


**INSTITUTE OF CHARTERED
ACCOUNTANTS (GHANA)**



**NOVEMBER 2010 EXAMINATIONS
(PROFESSIONAL)**

PART 3

**PUBLIC SECTOR ACCOUNTING
(Paper 3.2)**

Attempt ALL Questions

TIME ALLOWED:

Reading & Planning	-	15 Minutes
Working	-	3 Hours

QUESTION 1

Below is a Trial Balance prepared by Department of Children for the year ended 2009.

Prepare:

- (a) A Receipt and Payment Accounts for the year ended 31st December 2009 using Government Main Revenue and Expenditure Classifications. **(10 marks)**
- (b) A Balance Sheet as at 31st December 2009. **(10 marks)**

(Total: 20 marks)

	DR(GHS)	CR(GHS)
Accumulated fund brought forward		295,209
Personnel emolument		275,254
Administration expenses		324,275
Service expenses		555,418
Investment activity		267,525
Development partner support		342,868
Established post	137,627	
Non-established post	100,000	
Monthly paid and casual labour	37,627	
Telecommunication	8,910	
Postal charges	1,776	
Sanitation	13,101	
Vehicle repairs & maintenance	96,040	
F & F maintenance	27,560	
General equipment maintenance	18,535	
Machinery maintenance	24,767	
Car maintenance allowance	36,364	
Medical refund expenses	26,462	
Residential accommodation maintenance	41,695	
Office building maintenance	13,639	
Workshop/meetings/conference expenses	248,723	
Staff development expenses	10,932	
External consultancy fees	311,191	
Tuition fees	15,118	
Foreign travel - per diem	44,511	
Foreign travel cost & expenses	70,800	
Construction works	244,144	
Plant and equipment	5,408	
Furniture and fittings	1,050	
Computers & accessories	16,186	
Other capital expenditure	771	
Cash at bank	76,811	
Advances	50,500	
Treasury bills	35,650	
Development partner support	344,651	
	<u>2,060,549</u>	<u>2,060,549</u>

NOTE

1. The financial statements are prepared on a modified cash basis.
2. Government Agencies/Department report revenue in the period in which they are received.
3. Expenditure is recognised when goods and services are received and paid for.
4. Payment for fixed assets acquired is written off in the accounting year of acquisition.
5. Advances and investments are recorded on a historical cost basis without any provision or diminution in value.
6. Show all workings.

QUESTION 2

The following is the balance sheet of the District Assembly Common Fund Administrator as at 31st December, 2009:

	Cost GHS000	Accumulated Depreciation GHS000	Net Book Value GHS000
Property, plant & equipment	<u>300,000</u>	<u>50,000</u>	250,000
Investment			30,000
Current Assets:			
Stationery & supplies		2,500	
Bank balances		10,000	
Petty cash		<u>650</u>	
		<u>13,150</u>	
Current Liabilities:			
Expense creditors – Stationery		4,000	
- Utilities		<u>6,000</u>	
		<u>10,000</u>	
Net current assts			<u>3,150</u>
Represented by:			<u>283,150</u>
Surplus fund balance			283,150

Additional Information:

- (i) The investment is in 5% Quality Securities.
- (ii) For the year 2010, the Central Government budgeted revenue was estimated at GHS995 billion. 5% of which was constitutionally allocated to the DAC Fund
- (iii) The allocation was to be received by four (4) instalments on 30/03/2010, 29/06/2010, 30/09/2010 and 12/11/2010 except for the last instalment which only 70% was received.
- (iv) The first three (3) instalments were received. GHS7.5m of each was invested in a competitive 10% Modern Securities on 01/04/2010, 01/07/2010, 01/10/2010 respectively.
- (v) The investment in 5% Quality Securities was retired on 30/06/2010.
- (vi) The Administrator proceeded to disburse as follows:

		GHS000
02/04/2010	Amansie Central District Assembly	120,750
	Atiwa District Assembly	105,320
	Asunafo District Assembly	195,500
05/07/2010	Asutifi District Assembly	175,250
	SAEMA	279,035
02/10/2010	Bosomtwe District Assembly	115,590
	Sekyere West District Assembly	150,550

- (vii) The DACFA office made payments to three (3) Regional Co-ordinating Councils

	GHS
Kumasi	45,000,000
Bolga	37,000,000
Wa	39,000,000

- (viii) The office arranged for training and seminars for three (3) other officials paying a total bill of GHS30,000,000.
- (ix) The Administrator further authorized payment to the tune of GHS325,000,000 direct to five contractors undertaking various projects in 5 districts. Two of the contractors who were working in:
 - a) Atiwa District
 - b) SAEMAwere paid equal sums of GHS55,000,000 each.

You are required to pass Journal Entries as appropriate in:

- (a) The books of the DACFA Office. *(10 marks)*
- (b) The separate books kept for each of the district/Metropolitan Assemblies and the Regional Co-ordinating Councils by the DACFA. *(10 marks)*
- (Total: 20 marks)**

QUESTION 3

- (a) At the beginning of every Budget Cycle, the Ministry of Finance and Economic Planning issues Budget Guidelines for the preparation of Budget Proposals for the coming fiscal year.

Mention **three (3)** importance or purpose of Budget Guidelines.

(3 marks)

- (b) Mention **two (2)** conditions and **two (2)** procedures under which a public sector entity may engage in procurement by means of Restricted Tendering (Act 663).

(2 marks)

- (c) Explain the provisions of a joint acquisition of stores by public sector entities as stated in the Financial Administration Act 2003 (Act 654).

(2 marks)

- (d) Explain the term virement as used in the public sector budget implementation.

(2 marks)

- (e) State the authority for virement.

(5 marks)

- (f) What are the features of virements?

(6 marks)

(Total: 20 marks)

QUESTION 4

- (a) Explain the term General Purpose Financial Statement. Give **two (2)** examples of users of such Financial Statement (Reference IPSAS).
(2 marks)
- (b) Mention **three (3)** characteristics of a Government Business Enterprise (Reference IPSAS I).
(3 marks)
- (c) Regulation 37 of the Financial Administration Act (FAA) requires the Controller and Accountant General to disburse funds or make payments from the Consolidated Fund. Apart from the normal budgetary recurrent and capital payments (that is items 1, 2, 3 and 4), other payments are made out of consolidated fund.

Required:

State and explain any **three (3)** other payments made out of the Consolidated Fund.

(6 marks)

- (d) The Government of Ghana Debt is basically classified into External and Domestic Debts.

Required:

- (i) Explain External and Domestic Government Debts.
(1 mark)
- (ii) Enumerate **two (2)** examples each for Domestic and External Debts.
(4 marks)
- (e) Write short notes on the following terms as used in Public Sector Accounting.
- (i) Public Agency
 - (ii) Subvention
 - (iii) Principal Spending Officer
 - (iv) Below the Line Accounts

(4 marks)

(Total: 20 marks)

QUESTION 5

- (a) State and explain **two (2)** reasons why Public Sector Organisations still exist. *(4 marks)*
- (b) Briefly explain the following terms as used in Accounting for Salaries and Pensions.
- (i) Superannuation. *(2 marks)*
 - (ii) Lump Sum Payment. *(2 marks)*
 - (iii) Consolidated Salary. *(2 marks)*
- (c) State **four (4)** conditions under which a Government Treasury will approve of the utilization of Public Funds. *(4 marks)*
- (d) State **four (4)** of the financial duties expected to be carried out by any head of Public Sector Entity as outlined in the FAR. *(4 marks)*
- (e) List **two (2)** Financial Assets of the Consolidated Fund. *(2 marks)*

(Total: 20 marks)