

THE INSTITUTE OF CHARTERED ACCOUNTANTS (GHANA)

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THEME:

Excise Tax Stamp Policy and its Impact on Business and Government Revenue Mobilization

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EDITORIAL

The mobilization of domestic revenue through reforms in taxation is important to ensuring sustainable financing for development. Various governments have introduced various taxes and abolished same all with the view to mobilizing more revenue or improving the productive sectors of the economy to raise more revenue and create employment. One of such taxes is the Excise Tax Stamp. The Excise Tax Stamp Act, 2013 (Act 873) was passed in 2014 to give effect to the affixing of tax stamps on excisable products. Tax Stamps can be described as small stickers with security features supplied by the Ghana Revenue Authority (GRA) to some manufacturers and importers to be affixed to their products before they are released onto the market. All affected businesses were required to have the stamp affixed to their products. The writer talks about the effects of the Excise Tax Stamp on the economy, particularly on the prices of affected goods and production, the challenges of this Tax and how it can effectively be managed.

Corruption is found in all countries; big, small, rich and poor—its destructive effect is however seen more in the developing countries. This is because corruption hurts the poor disproportionately by diverting funds intended for development into private pockets. This creates societal inequality and injustice leading to serious negative social consequences in our country. The issue of corruption is one fundamental reason why Africa has not developed. It has eaten so much into the fabric of our society such that; highly does a day pass without hearing or reading one act of corrupt activities or the other. The article on corruption talks about the

negative effects of corruption on the society and the economy, the modern trends, the state of corruption in Ghana, and the need for the various professional bodies and institutions to collaborate to fight this canker from the society.

The collapse and takeover of two indigenous Ghanaian Banks – UT Bank and Capital Bank took everyone by surprise. These were promising banks that had high operational visibility particularly in the urban areas of Ghana. Prior to their takeover by GCB bank, the question remains how come stakeholders were not able to see the collapse of these banks on the horizon. In this article, the writer seeks to lay out an approach to analysing and measuring a bank's performance using the CAMEL(S) Model. The model applied is quite different from the traditional ratios used to analyse and measure a firm's performance.

The office of the Auditor-General is a public office as stipulated in Article 187 (1) of the 1992 constitution of Ghana. Article 187 (7) (b) empowers the Auditor-General in the performance of his function under the 1992 constitution or any other law may disallow any item of expenditure which is contrary to law, and surcharge. The article mentions the mandate of the Auditor-General, and the powers he has in enforcing disallowance of any expenditure, and surcharge of any public officer or organization which incurs any expenditure which the Auditor General does not see it fit or improper. Exception to these rules, and how to apply the disallowance and surcharge are clearly explained in this article.

These and many more are being presented in this edition for your reading. Please forward your comments on any of the articles or this edition of the journal to:

ofori.henneh@icagh.com
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or

IFAC NEWS

IFAC issues the fourth edition of the Guide to Practice Management for Small- and Medium-Sized Practices

First released in 2010, the Guide provides comprehensive guidance to help SMPs operate more efficiently in the increasingly complex and competitive global marketplace for professional services. This fourth edition is organized into eight stand-alone modules, including a new module on ‘Leveraging Technology’. The revised Guide addresses a comprehensive range of topics including:

- Strategic planning,
- Managing staff,
- Client relationship management,
- Risk management and,
- Succession planning

The new ‘Leveraging Technology’ module covers how technology developments are fundamentally changing the way organizations operate and recognizes the importance of how SMPs must adapt to service their clients utilizing technology. Included are topics such as developing a technology strategy, hardware and software options, technology risks, new and emerging technologies, and leveraging technology for practice innovation.

For further details please visit www.ifac.org

IESBA Proposes Revised Ethical Requirements Prohibiting Improper Inducements

The International Ethics Standards Board for Accountants (IESBA) has released for public comment the Exposure Draft, Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements. The proposals strengthen the Code of Ethics for Professional Accountants by clarifying the appropriate boundaries for the offering and accepting of inducements, and by prohibiting any inducements with intent to improperly influence behaviour. The proposed comprehensive framework covers all forms of inducements and applies to both professional accountants in business and professional accountants in public practice. It also provides enhanced guidance on the offering and accepting of inducements by professional accountants’ immediate or close family members.

“Inducements with intent to improperly influence behaviour are a very major concern for the public interest, and they include the issues of bribery and corruption. Inducements made with improper intent are unacceptable and should be prohibited,” said IESBA Chairman Dr. Stavros Thomadakis. Among other matters, the proposals also require professional accountants to address any threats to compliance with the fundamental ethical principles in accordance with the Code’s conceptual framework where there is no improper intent. “The development of the proposals was informed by input from Transparency International UK based on their experience and insights in the area of bribery and corruption,” noted IESBA Technical Director

To comment on this exposure draft please visit www.ifac.org/publications

Three Boards agreed to contribute towards Enhanced Professional Skepticism

The International Auditing and Assurance Standards Board (IAASB), International Ethics Standards Board for Accountants (IESBA), and the International Accounting Education Standards Board (IAESB) convened a small, cross-representational working group — the Professional Skepticism Working Group — to formulate views on whether and how each of the three boards’ sets of international standards could further contribute to strengthening the understanding and application of the concept of professional

IPSASB Proposes New Lease Accounting Model for Public Sector Call for Comment on Exposure Draft 64, Leases

The International Public Sector Accounting Standards Board (IPSASB) has released for comment Exposure Draft (ED) 64, Leases. ED 64 proposes a single right-of-use model for lease accounting that will replace the risks and rewards incidental to ownership model in IPSAS 13, Leases. ED 64 also proposes new public sector specific accounting requirements for leases at below market terms (also known as “concessionary leases”) for both lessors and lessees.

For lessees, ED 64 proposes accounting requirements that are converged with the International Accounting Standards Board’s IFRS 16, Leases, by requiring the recognition of a right-of-use asset and a

skepticism as it applies to an audit. The importance of professional skepticism is underscored by the increasing complexity of business and financial reporting, including the greater use of estimates and management judgment, business model changes due to technological developments, and the fundamental reliance of the public on dependable financial reporting. It lies at the heart of a quality audit. This publication outlines observations about the current environment and sets out actions the global standard-setting boards will take as well as the role that other stakeholders can play, in enhancing professional skepticism.

Source: www.ifac.org

lease liability for all leases, except for short-term leases and leases of low-value

assets. For lessors, ED 64 proposes a right-of-use model specifically designed for public sector financial reporting that differs from the risks and rewards incidental to ownership model for lessors in IFRS 16 by: (a) Continuing to recognise and measure the leased asset according to the applicable IPSAS; and (b) Recognising a lease receivable and a liability (unearned revenue) as a result of the lease contract, except for short-term leases.

The proposals in ED 64 address common public sector lease contracts where a lessor and a lessee are part of the same economic entity. “Leases, including concessionary leases, are very important financing mechanisms in the public sector and in international organisations,” said IPSASB Chair Ian Carruthers. “The proposals in

ED 64 will provide better information on the financial impacts of leases and therefore enhance both the accountability of an entity for its management of resources and improve the quality of information for decision-making.”

How to Comment: To access the Exposure Draft and its summary At-a-Glance document, or to submit a comment please go to www.ifac.org/publications

ICAG NEWS TIT-BITS

ICAG Launches 2018 Accountants’ Week



Mr Sottie ICAG President, third from right, with some of the Council members at the news conference

The Institute of Chartered Accountants (Ghana) (ICAG) is collaborating with the Institute of Chartered Accountants of England and Wales (ICAEW) to raise the standard of ICAG’s Accountancy College to a professional accountancy college of international repute. ICAEW, through its Charitable Trust Fund, has also granted bursaries worth £30,250 to 11 students of the Accountancy College of ICAG. Mr Christian Sottie, President, ICAG, made these known at a news conference to

launch the 2018 Accountancy Week in Accra, on 28th May 2018.

Mr Sottie noted that there had been a historic relationship between ICAG and ICAEW since the formative years of the ICAG from 1963 to 1973, when ICAEW mentored ICAG to organize local professional chartered accountants examinations. He explained that the bursaries granted by ICAEW was in recognition of a partnership which was

being developed with local tuition providers through the Partners in Learning Scheme (PIL) and Authorized Training Employer (ATE) Scheme with the aim of raising the standard of tuition across the country for the CA professional programme to a world-class standard.

Turning to the theme for this year's Accountants' Week —***Professional collaboration against corruption in Ghana***— Mr Sottie said Accountants ought to be and are on the forefront of the anti-corruption campaign, adding that as agents of accountability, ICAG would draw support from other professionals, such as doctors, lawyers and engineers, among others, to form linkages to fight corruption in the country. As part of activities marking the 2018 Accountants' Week, a two-day conference was held at the Accra International Conference Centre on the 30th and 31st of May.

Topics discussed at the conference include; ***Professional Collaboration against Corruption in Ghana, The changing phases of e-Commerce, Moving management of the Economy from Taxation to Production & The Implementation of IPSAS in Ghana: The Journey so far.*** Other activities included the ICAG's Annual General Meeting and Council elections, where Mr Sottie's two-year tenure as president ended, and a gala dinner in the evening of the same day to induct newly elected Council members into office. Four thousand, four hundred and thirty-one members of ICAG in good standing were expected to vote at the elections to elect seven members and the Ministry of Education nominating four members in addition to the elected members to form the new Council.

Earlier, on Saturday, 26th May 2018, members of ICAG undertook a Health Walk and Aerobics to usher in the week-long celebrations and attended a Thanksgiving Church Service at Calvary

Baptist Church, Adenta on Sunday, 27th May.

Mr. Sottie stressed that, ICAG is the sole professional accountancy organisation in Ghana with the right to award the Chartered Accountant designation, and with the right to regulate the accountancy profession in Ghana. The Institute was established by an Act of Parliament, The Institute of Chartered Accountants Act, 1963 (Act 170). Members of the organisation are the only persons recognized under the Companies Code (Act 179) 1963, to pursue audits of company accounts in Ghana. It is governed by a council of eleven members who are chartered accountants. The Council, headed by a president, holds office for a period of two years.

Its members, work in various sectors of the Ghanaian economy including the public services, accountancy firms, industry, and education and other public and private sector organizations, where funds need to be effectively and efficiently managed. Many of ICAG's members also work in other jurisdictions with national and international organizations.

Given that its members are the only persons recognized under the Companies Code 1963 for the purpose of publicly practicing accounting in Ghana, ICAG's professional qualification is the foundation for a career in accounting in Ghana.

The Institute of Chartered Accountants of Ghana is a member of the International Federation of Accountants (IFAC), the worldwide organization for the accountancy profession, the sub-regional Association of Accountancy Bodies in West Africa (ABWA) and the Pan African Federation of Accountants.

Source: ISD (G.D. Zaney, Esq.)

2018 Accountants' Conference Ends in Accra



A pose captured during the closing ceremony

A past President of the Institute of Chartered Accountants (Ghana) (ICAG), Mr E.M. Boye, has emphasized the importance of training and the strengthening, and enforcement of ethical standards as weapons for the fight against corruption.

Mr Boye said another prerequisite for an effective fight against corruption was the need for professional accountants to be conversant with the legal framework of what constituted an offence or offences of corruption and the sanctions for breach. He said even though the challenge of fighting corruption was huge, ICAG was well-positioned to effectively fight it, using its core value and Motto—Integrity—as the best weapon.

He commended Mr Christian Tetteh Sottie, outgoing President of ICAG, for his sound leadership qualities which, he said, Mr Sottie began to exercise during his days as a student, culminating into the institutionalization of the Annual Accountants' Week. Mr Boye also urged the younger generation of professional

Chartered Accountants and, therefore, members of the Institute to take interest in the affairs of the Institute and support it financially when the need arose. He was the Guest Speaker at the end of the two-day conference, which formed part of the year's annual Accountants' Week celebrations in Accra.

The conference, organized by the Institute of Chartered Accountants (Ghana), provided the platform for members of the Institute to take stock of the Institutes' activities during the previous year and to deliberate on issues of national and professional relevance. The theme for the conference was *Professional Collaboration against Corruption in Ghana*.

Topics discussed at the conference were: *“Professional collaboration against corruption in Ghana; The changing phase of e-Commerce; Moving management of the Economy from Taxation to Production; and The Implementation of IPSAS in Ghana: The Journey so far”*.

In his closing remarks, Mr Christian Tetteh

Sottie, out-going President, ICAG, called for a corrupt-free society in which development could come to the doorstep of the ordinary man who needed simple basic amenities to make his life meaningful.

Mr Sottie pledged the determination of ICAG to lead the fight against corruption and win it, adding that the fight should be a collective one which would require the involvement of the judiciary, prosecution,

investigators, gatekeepers like the accountants and auditors, engineers, architects, procurement and supply professionals and the media. He reiterated the call for capacity building to be able to identify and appropriately deal with offenders.

Source: ISD (G.D. Zaney, Esq)

ICAG Holds Its 30th Graduation & Admits 290 into Membership



The Minister for Education, Dr Mathew Opoku-Prempeh, has reminded accountants of their role in the protection of the public purse through the provision of sound financial leadership and the efficient management of the nation's resources. Dr Opoku Prempeh noted that apart from physical infrastructure, the quality and competence of the workforce of an organization and the talents of its professionals, including accountants, were prerequisites for the success of that organization.

He, therefore, urged accountants to commit themselves to the ideals of high ethical standards and adhere strictly to the legal and regulatory framework that governed public financial management, adding that good corporate governance, effective internal controls, proper risk assessments, professionalism and business

ethics were the tools required in the fight against corruption.

The Education Minister's words were contained in an address delivered on his behalf by Rev. Dr. Christian Koramah (Financial Controller, Ghana Education Service) at the 30th Graduation and Admission ceremony of the Institute at the Accra International Conference Centre on Saturday, 28th April, 2018. The event, the first in the year 2018, formalized the admission of new members into the fold of the Institute's current membership and provided the platform to award certificates to the new members who have qualified through successfully passing all three levels of the Chartered Accountants (CA) professional examinations.

In all, 355 qualified Chartered Accountants (CAs) 35 Chartered Diplomates and 19 graduands of the Accounting Technician Scheme of West Africa (ATSWA) received certificates for successfully completing their respective professional and technical programmes, while 290 inductees were admitted into the membership of ICAG.

Dickson Oduro Mensah emerged the overall best candidate for Level three in the November 2017 professional

examinations while Obed Ntiri Acquah Hagan and Jonathan Komla Atsu Tachie emerged the overall best candidates in Levels one and two, respectively. The overall best candidate awards for Levels one, two and three were sponsored by Hon. Albert Kan Dapaah, Joseph N.A. Hyde and Ms Aurore Lokko, all past Presidents of ICAG, respectively. Special awards were also given in Financial Accounting, Business Management and Information systems, Business and Corporate Law.

In an address, the President of ICAG, Mr Christian Sottie, noted that the Graduation ceremonies of the Institute were sending positive signals that ICAG was effectively playing its role in building the needed capacity for the accountancy profession and satisfying the growing demands of professional accountants in industry and

the private and public sectors of the Ghanaian economy.

Mr Sottie urged the new professional accountants to be constantly reminded about the Institute's slogan '**Integrity**' and to let the two words '**Ethics and Integrity**' be their watchwords. Mr Sottie also urged them to avoid negative practices that would destroy their carriers and bring the profession and the Institute into disrepute. He told the new Accountants to eschew mediocrity and work hard to deliver results notwithstanding the challenges.

Source: ISD (G.D. Zaney, Esq.)

FEATURES

Excise Tax Stamp Policy and its Impact on Business and Government Revenue Mobilization

By Abdallah Ali-Nakyea FCIT, MIIA, CA (Gh), LLB (Hons), BL, MPhil (Econs)



Introduction

The mobilization of domestic revenue through reforms in taxation is important to ensuring sustainable financing for development. Ghana, since 2017 due to the change in government has abolished some taxes it referred to as ‘nuisance taxes’ imposed by the previous administration. These include the abolished VAT on financial services, the import levy on spare parts among others. The Excise Tax Stamp Act, 2013 (Act 873) was passed in 2014 to give effect to the affixing of tax stamps on excisable products. The introduction of the Tax Stamp Policy was launched on 31st August 2017 and is to ensure compliance. Tax Stamps can be described as small stickers with security features supplied by the Ghana Revenue Authority (GRA) to some manufacturers and importers to be affixed to their products before they are released onto the market. The Tax Stamp Policy, since its launch became effective on 1st January 2018 at the sea ports. All affected businesses were required to have the stamp affixed to their products.

In Regulation 1 of the Excise Tax Stamp Regulations, 2016 (LI 2241), the goods to which excise tax stamp is to be affixed include the following;

- a) Specified excisable goods which are
 - i. Manufactured in this country and delivered for home consumption; or
 - ii. Imported into this country and delivered for home consumption; and
- b) The following goods are to attract the Excise Tax Stamp: Mineral water; Bottled and other packaged water excluding sachet water; Carbonated soft drinks; Malt drink;

Stout; Beer, including sparkling wine; Spirits; and Cigarettes and other tobacco products.

Government has currently begun implementation of the policy with tobacco, alcoholic and non-alcoholic drinks, bottled water and textiles.

Importance of the Policy

The essence of the policy is that with the presence of the Tax Stamps on a product, it provides enough guarantee of product authenticity. The policy is also intended to build strong and friendly government’s partnership with private businesses in order to build a strong economy. The policy is also intended to implement transparent policies to safeguard and protect consumers in Ghana as well as the taxpayers of the nation. The tax stamp policy aims to create a single platform for all consumer products subjected to excise taxes and taking enforcement action on the use of unmarked or illegitimate tax stamps, government and product manufacturers could derive enormous benefits.

The Tax Stamp policy would provide increased visibility into the overall supply chain. It would establish good governance credibility and public health improvements through the elimination of illicit and harmful contraband goods from the Ghanaian market. The Policy aims to address the counterfeiting of products on the Ghanaian market and to improve revenue assurance.

The impact the Excise Tax Stamp Policy has on Businesses

The Excise Tax Stamp Act, 2013 (Act 873) requires businesses (being mainly importers and manufacturers) to bear the

cost of the tax stamps. This may lead to the collapse of some local businesses. The Food and Beverage Association expressed their concern with the introduction of the policy and threatened to close their shops due to the undue cost and economic hardship that the policy was going to bring to their members. Government realising that this will increase the cost of production for these businesses stated that to lessen the impact of the policy on businesses it will subsidize the cost, by bearing the entire cost of the stamps between January 1, 2018 and June 30, 2018, and bear half the cost between June and the close of the year 2018, after which government would review its position on the cost burden.

This means that for those businesses that will be in a position to take advantage of this policy, it will in turn reduce the cost of their products for their consumers. The other adverse impact of the policy on businesses is the cost of acquiring the machines to affix the stamp. Government with this knowledge in trying to lessen the hardship that this would cause, passed an amendment to the Income Tax Act 2015, (Act 869) which states that “An importer and manufacturer of excisable goods shall be granted **accelerated depreciation** over a period of two years on affixing machines and equipment imported for the implementation of the excise Tax Stamp Policy as follows”:

	Year	Percentage
1.	1st year	50% of initial value
2.	2nd year	50% of initial value

The tax stamp policy brings an increment in the cost of acquiring the machines and the cost of the stamps to be affixed on the product. This will affect the cost price of the goods that will be sold on the market to consumers. Businesses in order to make up for the increment in their production cost and still make some reasonable profit will increase prices.

The impact of tax stamp on government revenue mobilisation

A study by an American Company, Authentix, revealed that the absence of a stamp policy attracts a 30 per cent rate of fraud amounting to approximately US\$50 million (GHC216 million) of uncollected taxes annually while Ghana loses US\$136 million (GHC592 million) each day in unrecoverable revenue in products alone. The benefits, to the government includes increased tax collection without raising tax rates; since it is acting as a compliance tool.

For government it is not only about revenue generation but to also act as a deterrent to smuggling and illicit activity and to also create a level-playing field for all legitimate enterprises. The policy would enable the GRA to effectively monitor the payment of Excise Tax by registered manufacturers and importers (since they are required to register under the policy) and close the loopholes in the administration of Excise Tax in Ghana to ensure that the correct quantum of tax is being paid.

Implementation of the Excise Tax Stamp Policy

The GRA between now and the end of the year, since the launch of the policy has mounted an intensive public education on the role of every stakeholder, in order to ensure that the public understands the issues involved and to elicit their co-operation. In the implementation of the policy, it is a requirement for all local manufacturers and importers of excisable products to register with GRA to enable them obtain the stamp. This will ensure that those who hitherto were not in the tax bracket will be roped into the tax bracket thereby increasing the tax base.

Local manufacturers are required to affix the stamp on each product unit before the product is delivered out of the factory. Importers of excisable goods also have the option of affixing the tax stamp on products by the authorized foreign manufacturer of the importer. The other option is affixing product with the stamp at the point of entry in a specialized facility or by affixing product with the stamp in a place or premises approved by GRA. A dispensation has been granted to manufacturers, importers, wholesalers and retailers to clear the stocks of all excisable goods without the stamp to ensure a smooth transition.

It is an offence for anyone to display, sell or distribute excisable goods without the stamp. Sanctions will apply and this includes a fine, not exceeding three hundred per cent of the duties and taxes involved, or to a term of imprisonment of not more than five years or to both (Section 15 of the Excise Tax Stamp Act, 2013 (Act 873). Tax Stamps with specific features designed and supplied by the GRA are to be affixed on products before they are delivered ex-factory, cleared from

any port of entry or presented for sale at any commercial level in Ghana.

Procedure for registration

All importers and manufacturers of the affected products are required to register with the Ghana Revenue Authority (GRA). The registration is mandatory under the Act and it shall among others, enable GRA grant user access to the Tax Stamp Portal to the registered taxpayers for the administration of the programme. An applicant qualifies to be registered if the applicant is a manufacturer or trader with a valid Taxpayer Identification Number (TIN).

A foreign manufacturer who supplies goods to an importer shall also be required to be registered as set out in Registration Form 'A' if the importer wishes the manufacturer to affix the Excise Tax Stamps on the goods before importation. All affected taxpayers are required to visit the Tax Stamp Web portal at www.ghanataxstamp.com and complete the Registration Form A. For offline registration, taxpayers may collect, complete and submit the prescribed registration Form A to their local GRA office for onward transmission to the office of the Commissioner-General.

Conclusion

The tax policy, even though will eventually increase the cost of excisable goods, especially with respect to the collapse of local industries, will eventually enhance compliance and ensure that revenue is not lost through the smuggling of goods into the country. As every excisable product will be accounted for if GRA is able to coordinate the policy well.

‘Professionals Collaborating Against Corruption In Ghana’ – Part 1

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E. Oduro Osaе, PhD.

Introduction and Nature of Corruption

Corruption has been defined by Transparency International as the “*abuse of entrusted power for private gain*”. Ghana’s National Anti-Corruption Action Plan (NACAP), 2012 has also defined **corruption** as “*the misuse of entrusted power for private gain*”. So defined, corruption includes bribery, embezzlement, misappropriation, trading in influence, abuse of office, abuse of power, illicit enrichment, laundering of proceeds of crime, concealment, obstruction of justice, patronage, nepotism, and conflict of interest.

The United Nations Convention against Corruption (UNCAC) is the first international law treaty dealing with corruption. Corruption has been one of the biggest obstacles to global development which needs to be eradicated if the Sustainable Development Goals (SDGs) can be attained.

Prevalence of Corruption at the Global Level

Currently, corruption is found in all countries; big, small, rich and poor—its destructive effect is however seen more in the developing countries. This is because corruption hurts the poor disproportionately by diverting funds

intended for development into private pockets. This creates societal inequality and injustice leading to serious negative social consequences in our country.

The issue of corruption is one fundamental reason why Africa has not developed. It has eaten so much into the fabric of our society such that; highly does a day pass without hearing or reading one act of corrupt activities or the other.

Today we are confronted with ‘Anas 12’ allegedly featuring key personalities in Ghana....I pray the Tiger PI is even not in our midst today.

In our country, corruption has:

- held back economic growth,
- increased cost of doing business and running the state government,
- reduced revenue to the state.
- led to capital flight and inflation.
- led to a loss of legitimacy and respect for legally-constituted authority.
- demoralizes honest professionals and fills them with uncertainty, mistrust and fear.
- stifled initiative, creativity and dampens the spirit and motivation of well-meaning Ghanaians.
- undermined the merit system of rewards, appointments and success and
- encouraged mediocrity, laziness and incompetence among public officers.

Types of Corruption in Ghana

Reports by the Commission on Human Rights and Administrative Justice

(CHRAJ) have profiled the following as the prevalent types of corruption in Ghana:

- bribery,
- embezzlement,
- misappropriation of public monies,
- fraud and irregularities,
- conflict of interest
- abuse of office,
- abuse of the procurement processes,
- illegal acquisition of State lands, and
- cyber fraud.

A world bank report has, as far back as 2010¹, also drawn the nation's attention to the concept of "*quiet corruption*" which takes the form of absenteeism, habitual lateness for work, leakage of funds, imposition of informal user fees, petty thievery (stealing of monies and office supplies) and diversion of supplies by public officers etc. as another group of corruption gradually eating society up.

This canker if not uprooted, has the potential of not only wiping the beauty of our nation but also pushing dangerous to our democracy and development since it will make good people subservient to bad and corrupt people.

The World Bank's 2007 Enterprise Survey also found that 39% of firms make informal payments to public officials to get things done, 23% to get an operating license, 18% in gifts for meetings with tax officials and 61% to secure government contracts. I believe in all these transactional chain, we have professionals handling them. Given the opportunity backed by the appropriate policy, legal and institutional frameworks, effective collaboration among professionals at the early stages of these transactions can lead

¹ Africa Development Indicators: Silent and Lethal, How Quiet Corruption Undermines Africa's Development Efforts .

to the early detection and prevention of any such corruption act in our system.

State of Corruption in Ghana

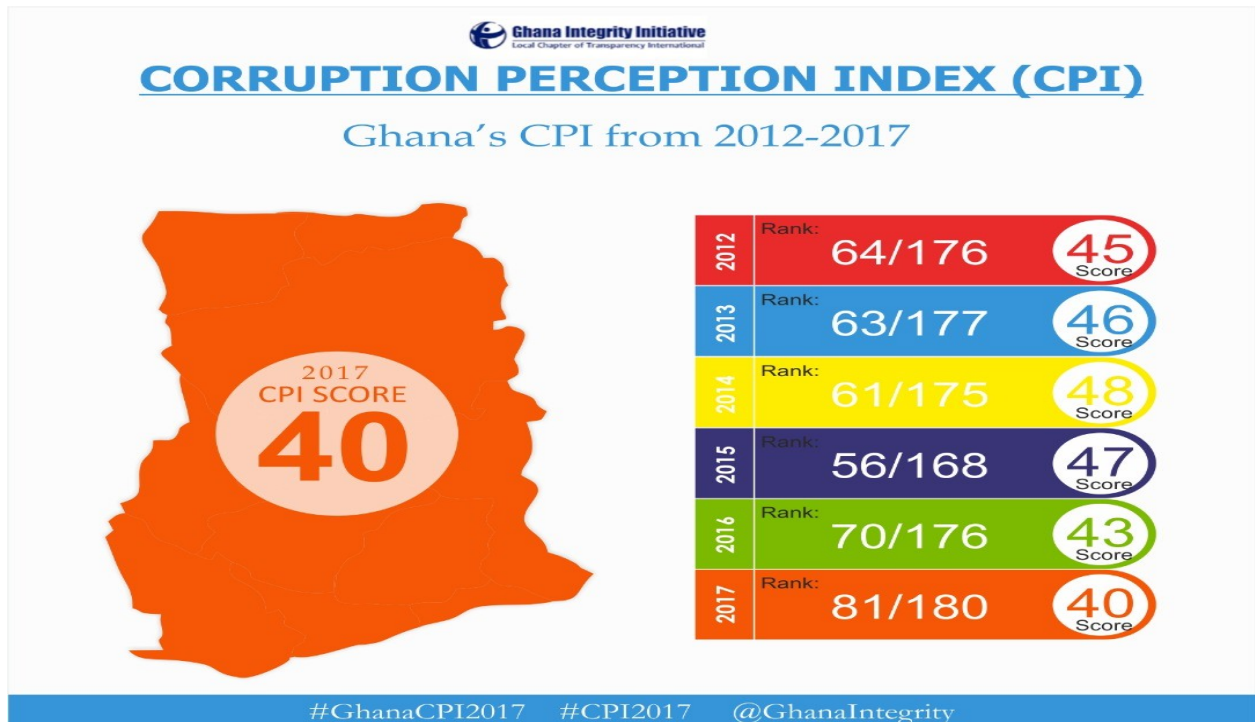
Various reports have supported the endemic nature of corruption in our society:

- A key conclusion of the various African Peer Review Mechanism (APRM) Reports have cited that corruption remains prevalent in our society.
- Similarly, the annual Ghana Governance and Corruption Survey of the Centre for Democracy and Development (CDD-Ghana) have also been consistent with its findings that 75% of households surveyed regarded corruption as a serious national problem;
- A survey conducted by the Ghana Integrity Initiative (GII) has also found that Ghanaians perceived corruption as serious.
- Various reports on the State of Corruption in Ghana issued annually by CHRAJ have repeatedly indicated that corruption is the most troublesome obstacle to Ghana's development.
- Work and annual reports of the Public Accounts Committee of Parliament have drawn attention to the widespread occurrences of misappropriation and misapplication of public funds, unauthorized payments, waste, misuse and gross mismanagement of funds in public administration.
- Report of the Auditor General on the public accounts Ghana often

reveals serious irregularities and misappropriations in the public sector including non-collection of outstanding debt, procurement/contract irregularities, unsupported payments, store irregularities,

unearned salaries, misappropriation of school funds, and failure to collect or remit taxes.

Trend of Corruption Perception in Ghana



Source: A Ghana Integrity Initiative Publication, 2017.

Transparency International's Corruption Perception Index (CPI), a measure of the perceived levels of public sector corruption, scored Ghana 40 out of 100 (100 indicates corruption-free) in 2017. This score has dropped from 43 in 2016, indicating an increase in perception of corruption.

By this Ghana has dropped by placing 81st out of 180 countries surveyed. In fact from 2012 to 2017 Ghana has never gone past a 50 score. This makes the issue of corruption very disturbing because there is a wealth of evidence to suggest a positive correlation between corruption, poverty incidence and development retardation.

The Patrimonial, Traditional and Cultural Influences of Corruption in Ghana

In our part of the world also, the issue of corruption can be said to have been largely nurtured and influenced by the **patrimonial character** of the society where informal relations, family connections and social reciprocity, public administration and political competition often appear to be driven more by **personal ties than formal rules**. This ends up creating an environment characterized by limited commitment to change the underlying causes of corruption.

Causes of Corruption in Ghana

The causes of corruption in Ghana are many and varied. Prominent among them have been identified to include:

- institutional weaknesses,
- poor ethical standards including limited commitment to the values of integrity and self-discipline
- skewed incentives structure
- insufficient enforcement of laws
- attitudes and social circumstances that make average people circumvent the laws in public transactions
- low salaries
- culture of gift-giving
- lack of effective incentive mechanism, and
- poor management practices in public organizations².

Level of Education and Corruption in Ghana

Evidence shows that there is some correlation between level of education and corruption hence the need for professionals who form the bulk of the educated elites in our society to collaborate to fight against corruption.

Instances and behaviors identified to promote corruption in our society have been cited to include:

- poor investigations and prosecutions of corruption cases leading to acquittal instead of prosecuting to secure conviction for deterrence;

² WB/CDD., 2000. The Ghana Governance and Corruption Survey Evidence from Households, Enterprises and Public Officials, 2000

- Commissions of Enquiries working so diligently to produce good reports and recommendations only to be left on the shelf to gather dust or have some of its recommendations dropped or rejected by a government white paper;
- Audit Service lacking prosecutorial powers to see through to prosecution to secure conviction;
- Societal failure to question the source of peoples wealth
- Society at both the family and other social levels including religion glorifying and rewarding people who give willingly without questioning sources
- Tax authorities failing to track people who live beyond their means or exhibits affluence and extravagant lives without proving any known legitimate source of income;
- Voters expecting payment before voting in any election.

The Global Integrity Report on Ghana states that:

“Ghana’s corruption problem has deep roots in society and our political culture, where societal expectations of largesse and patronage from holders of public office combine with a culture of official impunity, low remuneration, and opacity and unregulated discretion in the use of public authority to produce a system that is hospitable to corruption...”

Effects of Corruption in Ghana

Corruption generally has serious negative consequences for the development of any nation and facilitates generalized

disrespect for the law and disregard for the rule of law. The following are among the documented effects of corruption on Ghanaian society:

- Provision of poor quality services (in such areas as education, health, sanitation and electricity);
- Undermining or weakening of institutions for democracy and good governance;
- Loss of lives;
- Abandonment of development projects;
- Haphazard developments;
- Flight of capital;
- Increased costs of business;
- High cost of infrastructural development;
- Destruction of merit-based competition;
- Weakening of professionalism through production of the proverbial “square pegs in round holes”;
- Destruction of the productive capacity and creativity of individuals (e.g. skilled and honest people remain unemployed); and
- Facilitation of other criminal activities such as drug-trafficking, human-trafficking, terrorism, prostitution and money-laundering.

In his essay on “Corruption and the Challenges of National Development”,

Ken Attafua summarizes the dire consequences of corruption as follows:

... “The cost of corruption is enormous, covering the loss of development funds, retardation of economic growth, flight of capital, and the inflation of administrative costs. Corruption also frequently results in loss of legitimacy and respect for legally-constituted authority by, among other things, undermining the integrity of the socio-legal foundations of that authority. It debases the moral fiber of a society by nibbling away at the core values that bond the society together... Corruption is decidedly dysfunctional to the maintenance of a just social order. It is heavy damper on motivation. It stifles initiative and creativity, demoralizes the honest person ... violates the individual’s right to economic and social well-being ... It nourishes mediocrity and undermines the merit system of rewards, appointments and entitlements. ... Corruption generates.....incompetence [by fostering] the appointment of the proverbial “square pegs in round holes”. Corruption engenders market inefficiencies, and fosters the deliberate creation of bottlenecks in the bureaucracy in order to further the ends of exploitation. In short, corruption is a hindrance to economic development and social advancement. ...”

Disallowance and Surcharge by the Auditor-General, A statutory Constitutional Responsibility.

The office of the Auditor-General is a public office as stipulated in Article 187 (1) of the 1992 constitution of Ghana. This means that it is a body established by the constitution of Ghana. It is, therefore, a public office. The office is an independent constitutional body not under any of the three arms of government, namely; the executive, legislature (Parliament) and judiciary.

The Mandate of the Auditor-General

The Mandate of the Auditor-General is spelt out in Article 187(2) of the 1992 constitution of Ghana. It stipulates that "The public accounts of Ghana and all public offices, including the courts, central and local government administrations, of the Universities and public institutions of like nature, of public corporation or other body or organisation established by an Act of parliament shall be audited and reported on by the Auditor-General. This article, therefore, implies where every public fund has been spent like the entities mentioned above as well as others established by an act of parliament such as the Institute of Chartered Accountants (Ghana), are to be audited by the Auditor-General and reported to Parliament, the citizen's representative of the country.

Powers of the Auditor-General

To enable the Auditor-General execute his constitutional responsibilities, the Constitution empowers him with the following powers, that;

- i. All public accounts of Ghana and of all other persons or authorities shall be kept in such form as Auditor-General shall approve.
- ii. The Auditor-General or any person authorised or appointed for the purpose by the Auditor-General shall have access to all books,

records, returns and other documents relating or relevant to those accounts.

- iii. He shall not be submitted to the direction or control of any other person or authority in the course of his work;
- iv. The Auditor – General may in accordance with section 29 (2) of the Audit Service Act 2000 Act 584, direct that the emoluments and allowances of a person who fails to respond to the audit observation after 30 days of receipt of the letter **be held**. Audit observation here is being referred to management letter that are issued to management of public entity after audits.

1. Disallowance and surcharge

In addition to the above powers, the Auditor-General has the constitutional power of disallowance and surcharge expenditure that is contrary to law. Definition of Disallowance as was sought from the Chambers, 21st Century Dictionary, Revised Edition, by the supreme court defines disallow as "verb - to formally refuse to allow or accept something or to judge something to be invalid – disallowance – noun" The same dictionary defines surcharge as "an extra charge, often as a penalty for late payment of a bill".

Disallowance and surcharge in this content means that the Auditor-General will formally refuse to accept or allow any item of expenditure that is contrary to law and after that recover the principal amount disallowed with interest. The interest starts the date the disallowed transaction took place.

The power of disallowance and surcharge as spelt out in the Constitution:

Article 187 (7) (b) empowers the Auditor-General in performance of his function under the 1992 constitution or any other law may disallow any item of expenditure which is contrary to law and surcharge. The under listed acts of public officers will call for the Auditor-General to charge for a disallowance and surcharge:

- i. amount of any expenditure disallowed upon the person responsible for incurring or authorising the expenditure which is contrary to law; or
- ii. any sum which has not been duly brought into account, upon the person by whom the sum ought to have been brought into account; or
- iii. the amount of any loss or deficiency, upon any person by whose negligence or misconduct the loss or deficiency has been incurred.

This power of disallowance and surcharge by the Auditor-General which is stipulated in the constitution has been further interpreted by the Supreme Court in the case of *Occupy Ghana vs Attorney-General* in the paragraphs below. All the pleads of *Occupy Ghana* were upheld by the supreme court in a unanimous decision of the court. The upheld stands of *Occupy Ghana* were as follows:

- i. “That upon a true and proper interpretation of Article 187 (7) (b) (i) of the Constitution, the Auditor-General is bound to issue a disallowance or surcharge where there has been any item of expenditure on behalf of the Government that is contrary to law, so that the amount unlawfully expended is recovered from the person who was responsible for, or authorised, the expenditure disallowed.

- ii. That upon a true and proper interpretation of Article 187 (7) (b) (ii) of the Constitution, the Auditor-General is bound to issue a disallowance and surcharge where any person fails to bring any sum into the Government’s account, so that that amount is recovered from the person by whom the amount should have been brought into account.
- iii. That upon a true and proper interpretation of Article 187 (7) (b) (iii) of the Constitution, the Auditor-General is bound to issue a disallowance and surcharge where the Government suffers or incurs a loss or deficiency through the negligence or misconduct of any person, so that the value of the loss or deficiency is recovered from that person (whether or not a public servant).
- iv. That the failure, refusal or neglect by the Auditor-General to ever issue any disallowances and surcharges in respect of (i) unlawful items of expenditure, (ii) amounts not brought into account, and (iii) losses and deficiencies incurred through negligence and misconduct, as set out in successive Reports of the Auditor-General issued since the coming into force of the Constitution, are violations by the Auditor-General of his/her obligations under the Constitution and
- v. That the Auditor-General be ordered to issue disallowances and surcharges to and in respect of all persons and entities found in successive Reports of the Auditor-General to have been responsible for or to have

authorised unlawful items of expenditure, not bringing sums into account, or having caused loss or deficiency through negligence or misconduct, in accordance with Article 187 (7) (b) of the Constitution.”

Enforcement of disallowance and surcharge by the Auditor-General, The stand of Occupy Ghana IN THE CASE OCCUPY GHANA VS ATTORNEY GENERAL – 2017

To ensure enforcement of Auditor-General statutory responsibility on disallowance and surcharge, Occupy Ghana, a Civil Society Organization (CSO), took the Attorney General and Auditor-General to Supreme Court to seek constitutional interpretation and enforcement of article(187) (7-9). Occupy Ghana pray on the court to interpret that:

- i. the failure, refusal or neglect by the Auditor-General to ever issue any disallowances and surcharges in respect of (a) unlawful items of expenditure, (b) amounts not brought into account, and (c) losses and deficiencies incurred through negligence and misconduct, as set out in successive Reports of the Auditor-General issued since the coming into force of the Constitution, are violations by the Auditor-General of his/her obligations under the Constitution and
- ii. the Auditor-General be ordered to issue disallowances and surcharges to and in respect of all persons and entities found in successive Reports of the Auditor-General to have been responsible for or to have authorised unlawful items of expenditure, not bringing sums into account, or having caused loss or deficiency through

negligence or misconduct, in accordance with Article 187 (7) (b) of the Constitution.”

This implies that the enforcement of the constitutional duty of disallowance and surcharge is not optional but rather mandatory. The non-enforcement of the disallowance and surcharge by the Auditor- General can be a cause as stipulated under Article [187 (13)] 146 (1) of the Constitution to remove him from office.

Exceptions to the power of the Auditor-General

- i. Clause (8) of article (187) stipulates that the powers of the Auditor-General shall not preclude the President, acting in accordance with the advice of the Council of State, from requesting the Auditor-General in the public interest, to audit, at any particular time, the accounts of any such body or organization as is referred to in clause (2) of this article. In exercising this executive power, President Kuffor in 2008 requested the Auditor-General to audit the accounts of Ghana @ 50. In the same vein President Akufo-Addo also in 2018, requested the Auditor-General to audit a liability of nine billion cedis owed to the public.
- ii. Clause (9) of article (187) allows a person aggrieved by a disallowance or surcharge made by the Auditor-General to appeal to the High Court within 60 days of issuance of disallowance and surcharge certificate on him. In such case the court then decides whether to uphold the disallowance and surcharge or not.

How to Enforce Disallowance and Surcharge.

Any time any of the three violations occurs, a certificate of disallowance and surcharge must be issued to the offender by the Auditor General or his representative.

After the issuance of the certificate the enforcement of the disallowance and surcharge starts:

- a. If the offender is a public servant, a private person or entity, the disallowed expenditure can be paid with interest starting from the date the expenditure was made;
- b. In any case, if what the offender pays is not up to the principal amount and interest, any property of the offender can be sold upon a court order to recover what has been disallowed and surcharged;
- c. The offender can as well challenge the issue in a high court within 60 days of issuance of the certificate of disallowance and surcharge.

Conclusion

The Auditor-General has been mandated to audit all public accounts of Ghana as it is stipulated in article 187 (2) of the 1992 Constitution of Ghana. He has the constitutional responsibility in the course of his work to disallow and surcharge any expenditure that is contrary to the laws of Ghana. This constitutional responsibility is mandatory as it is also spelt out in article 187 (7) (b)

of the Constitution. His responsibility of disallowance is not discretionary. The incidence of enforcement in this responsibility occurred when Occupy Ghana took the Attorney General and Auditor-General to Supreme Court to seek interpretation of Article 187 of the Constitution.

The court upheld that the Auditor-General is bound to: issue a disallowance and surcharge where there has been any item of expenditure on behalf of the Government which is contrary to law, where any person fails to bring any sum into the government's account; and where the government suffers or incurs a loss or deficiency through the negligence or misconduct of any person; Finally, the court also upheld that the Attorney-General is ordered to take all necessary steps to enforce the decisions, or steps taken by the Auditor-General supra to ensure compliance including in some cases criminal prosecutions.

References:

1. 1992 Constitution of Republic of Ghana
Audit Service Act, 2000 (Act 584)
Audit Service Regulations, 2011 (C. I. 70)
High Court (Civil Procedures) (Amendment) (No 2) Rules, 2016 (C. I. 102)
Occupy Ghana vrs. Attorney-General Ruling, 2017

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IFRS 15 Revenue – the new Global Standard

Overview

- A single global standard for revenue recognition that applies to most contracts with customers, replacing existing guidance in IFRS and US GAAP
- Two approaches to recognise revenue: at a point in time or over time
- A contract-based, five-step analysis of transactions, focusing on transfer of control
- Extensive new disclosure requirements
- Effective date: annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS

Key sectors impacted

- Telecoms: new guidance on unbundling components; no general permission to account for the delivered item as a residual
- Software: new guidance on evaluating separate performance obligations and estimating stand-alone selling prices of unbundled performance obligations
- Building and construction: stage-of-completion approach is succeeded by continuous transfer model
- All sectors: extensive new qualitative and quantitative disclosure requirements

The standard replaces

- IAS 11 Construction Contracts
- IAS 18 Revenue

- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 18 Transfers of Assets from Customers
- SIC-31 Revenue – Barter Transactions Involving Advertising Services
- The FASB has also withdrawn most US GAAP industry- and transaction-specific revenue guidance that some entities rely on when reporting under IFRS.

How to apply the standard

Identify the contract with the customer. Certain criteria have to be met for a contract to exist.

Contracts may be combined only in specific circumstances. A portfolio approach may be used in some cases. A contract modification is treated as a separate contract when specified criteria are met.

Identify the performance obligations in the contract. Account for ‘distinct’ performance obligations separately.

Determine the transaction price. Estimate the amount of consideration to which the entity expects to be entitled – including variable consideration (constraining it to an amount that is ‘highly probable’), non-cash consideration, financing and any consideration payable to the customer.

Allocate the transaction price to the performance obligations. The allocation is based on the relative stand-alone selling prices of goods or services.

Recognise revenue when (or as) the entity satisfies a performance

obligation. Recognise revenue when or as the customer obtains control of the goods or services.

This is dependent on specific criteria and may be at a point in time or over time.

Apply cost guidance. Recognise certain costs of obtaining and fulfilling contracts as separate assets when specified criteria are met.

Differences from current practice

- All guidance is contained in a single standard.
- The new model is control-based (the ‘risks and rewards’ concept is retained as an indicator of control transfer
- Consideration is measured at the amount to which the entity expects to be entitled, rather than at fair value.
- Specific guidance is provided for:
 - separating goods and services in a contract
 - recognising revenue over time;
 - licences; and
 - variable consideration.

Impact sheet – Revenue from contracts with customers

Revenue recognition may be accelerated or deferred

For complex transactions with multiple components and/or variable consideration, or when the work is carried out for an extended period of time, applying the standard may lead to revenue being accelerated or deferred.

Revenue recognition may change from at a point in time to over time, or vice versa

If you currently use the stage-of-completion method or otherwise enter into long-term contracts, you will have to evaluate whether to recognise revenue on contract completion or as the contract is fulfilled. Applying the new criteria in this

area will require a detailed review of contract terms and – for contracts for the sale of real estate – property law.

Contract terms and business practices may be affected

In some cases, you may wish to reconsider certain contract terms and business practices – e.g. distribution channels – to achieve or maintain a particular revenue profile. This is particularly relevant if a contract term with relatively little commercial substance has a disproportionate influence on the timing of revenue recognition.

New estimates and judgements will be required

The standard introduces a number of new estimates and judgemental thresholds that may affect the amount and/or timing of revenue recognised – particularly when consideration is variable or contingent, or when separating goods and services in a contract. These new estimates and judgements may be particularly difficult to apply if you are launching a new business or product line, or entering new markets.

Cost guidance is limited

New judgements will be required when accounting for contract costs, as the new standard replaces existing cost guidance in IAS 11 with limited new guidance on the costs of obtaining and fulfilling a contract. This will directly affect profit recognition, especially when revenue is recognised over time.

New disclosure requirements are extensive

Preparing the new disclosures could be time-consuming and may require systems changes. The new disclosures could convey important additional information about business practices and prospects to investors and competitors. No exemptions are provided.

Changes to systems and processes may be required

IT system changes may be required to capture the data to comply with the new requirements. Processes need to be reconsidered to ensure that management judgement is exercised at the key points as financial information is prepared.

Dividends, taxation, sales incentives and access to capital may be affected

Changes to the timing of revenue recognition may affect the timing of tax payments, the ability to pay dividends in some jurisdictions, or covenant compliance. Staff bonuses and incentive plans may need to be revisited, to ensure that they remain aligned with corporate goals.

Transition options need to be considered

The standard may be adopted retrospectively with certain practical expedients available, or by using a cumulative effect approach. A first-time adopter can choose to use either approach from the date of transition to IFRS. Historical analysis of contracts will often be required, and if you elect to apply the standard retrospectively, it may require the early introduction of new systems and processes, and a period of parallel running.

Communications with stakeholders will be necessary

Investors and other stakeholders will want to understand the impact of the standard on your business. Areas of interest may include the effect of the standard on your financial results, the costs of implementation and any proposed changes to your business practices.

The Bottom line

The impact of these changes may be felt

right across your organization. All of your financial ratios may be affected, which could impact your share price and access to start looking at your contracts now.

Next steps – Revenue from contracts with customers

The implementation of the revenue standard will be broader than just an accounting issue, and will have an impact right across your organisation. You need to consider the impact on your business from an accounting, tax and regulatory perspective, as well as the impact on your systems and processes, business and people. Here are some of the next steps that need to be envisaged.

- Identify differences between current practice and guidance in the new standard. Reconsider whether revenue should be recognised at a point in time or over time.
- Where differences are identified, perform high-level analysis of their impact on the amount of revenue recognised.
- Assess the tax impacts of accelerating/deferring revenue.
- Make new judgements and estimates – in particular, on variable consideration, the time value of money and multiple goods or services.
- Identify new disclosure requirements and prepare an early mock-up of the financial statement.
- Evaluate changes needed to the existing chart of accounts.
- Consider transition options available, including the impact of retrospective application and restating historical results.
- Update accounting policy manual and technical accounting memos

Business

- Identify commercial opportunities – e.g. whether any terms in key third party contracts should be modified for the impact of the new standard.
- Assess impact of accounting change on general business issues, such as contractual terms (including financial covenants), employee incentive plans, treasury and risk management practices etc.

Assess impact on internal management reporting and Business metrics.

- Consider how the standard will impact budgeting and forecasting models
- Budget for necessary changes to people, processes and systems
- Develop communication plans for all stakeholders, including investors and analysts, creditors, customers and suppliers.

Systems and processes

- Evaluate impact of the standard on current operating policies, processes and reporting procedures.
- Engage the IT team to help identify data ‘gaps’.
- Ensure system functionality can handle changes to accounting and disclosure requirements – e.g. stand-

alone selling prices, variable consideration, time value of money adjustments, contract modifications and contract costs.

- Evaluate changes needed to key internal controls over financial reporting.
- Develop a transition plan for parallel runs, including reconciliations.
- Establish contingencies for new data collection needs.

People and change

- Define project/change management roles and resources needed.
- Develop and execute training plans for impacted employees, including finance, sales, legal, tax, treasury and budgetary teams.

Evaluate impact on compensation arrangements and performance targets and measures, and communicate any changes to affected personnel.

- Assess how changes to processes may impact how work is performed, including how teams are structured.

Source: www.kpmg.com

Is Social Media Marketing the Key to Practice Profitability?

by Paul Thompson, Director, European Federation of Accountants and Auditors for SMEs and Stuart A. Black, IFAC SMP Committee Member

The acquisition of new clients continues to be a dominant driver of profitability for small- and medium-sized practices

(SMPs). Indeed, in recent editions of the IFAC SMP Quick Poll, the largest portion of respondents identified acquisition of new clients as the main driver of practice profitability. The poll results seem to question the wisdom of many practice management “gurus” who say that the cost of acquiring a new client is far higher than the cost of retaining, or selling more services to, an existing client. While the

poll shows that retention is also important, what those “gurus” may be failing to recognize is the full potential and cost effectiveness of a marketing campaign that includes low-cost social media.

Branding

The first step of a marketing strategy is to identify your target customers and what they need. You then have to determine how you can satisfy those needs at a profit and, at the same time, differentiate yourself from your competitors. This becomes your brand. The aim of your marketing strategy is to have people associate your brand with their needs and desires, choose you over the competition, and, if you do it right, pay a premium for your services.

Promotion and Marketing

An organic growth strategy involves leveraging promotion and marketing activities to build brand awareness and attract new clients or sell additional services to existing clients. Remember that most businesses in the market are likely to already have an accountant, which means you will need to win clients from rival practices. And, in order to do that, you must offer a compelling reason for them to switch. This makes promotion and marketing more important than ever—and demands that practices build the capability to proficiently promote and market their brand and service offerings. You will have to decide if you have the resources in house with existing staff to do promotion and marketing, or whether you need to recruit or outsource for the requisite skills.

Promotion and marketing efforts are most effective when a number of activities and channels are used simultaneously: this harnesses the momentum of such efforts and is likely to be more impactful. There are many “tried and tested” strategies for marketing but the newest one, social media, has already broken the mold. Social media marketing has rapidly grown in prominence and gone from margin to mainstream in a very short time. Social media is a low-cost channel with a very wide reach into your target market.

Social Media Marketing

Social media essentially has taken traditional word-of-mouth marketing (historically the norm for accountants) and moved it to a digital space, exponentially increasing opportunities to influence. It is one of the most powerful tools to engage customers and drive revenue growth. But according to Steven D. Strauss, small business expert and author of *The Small Business Bible*, while small business owners recognize how important social media is to their success, they’re not taking advantage of social media’s full potential. And, chances are, the same applies to SMPs: after all, SMPs are effectively small businesses in the accountancy sector.

Getting started in social media marketing and deciding whether it can benefit your practice can be quite overwhelming—even scary, at first. Here are some steps to take when building a social media presence:

1. **Set aside preconceived notions**—social media carries risks but the rewards are greater: it will take time and expense to plan and execute but

there are many tools, resources, and articles to help.

2. **Learn about the what, why, and how**—take the time to read and educate yourself about social media, including Twitter (see Twitter’s *Small Business Guide*), LinkedIn, Facebook, and blogging, and see what your peers are doing.
 3. **Check out the tools and resources available to help**—there is a growing suite of tools, resources, and guidance available, for example, the AICPA PCPS has developed a number of resources, many of which are available for free, including a social media toolkit and articles.
 4. **Create a strategy and action plan**—define goals, decide how you will measure success and allocate responsibility, then start out small by, for example, pilot testing one of the
5. **Implement the plan**—aim to provide content that creates conversation rather than advertises and involve staff from the millennial generation as they often have the most experience.
 6. **Periodically evaluate, analyze, and update the plan**—track your efforts and monitor the return on investment using common metrics including likes, shares, followers, traffic, and conversions.
 7. **Consider the need for a policy**—this can help manage the risks and reap the rewards.

tools. See “10 Questions to Ask When Creating a Social Media Marketing Plan.”

YOU AND YOUR HEALTH

Chemicals in the Human Brain and their Functions

Numerous chemicals in the brain help in receiving and interpreting information. Read this article to learn more about such messengers and their functions.



There are approximately 100,000 chemical reactions, which go on in a human brain every second. The human brain is like a radio transmitter that emits measurable electrical wave signals. The various chemicals that are produced in your brain help in relieving all major stress that a person goes through.

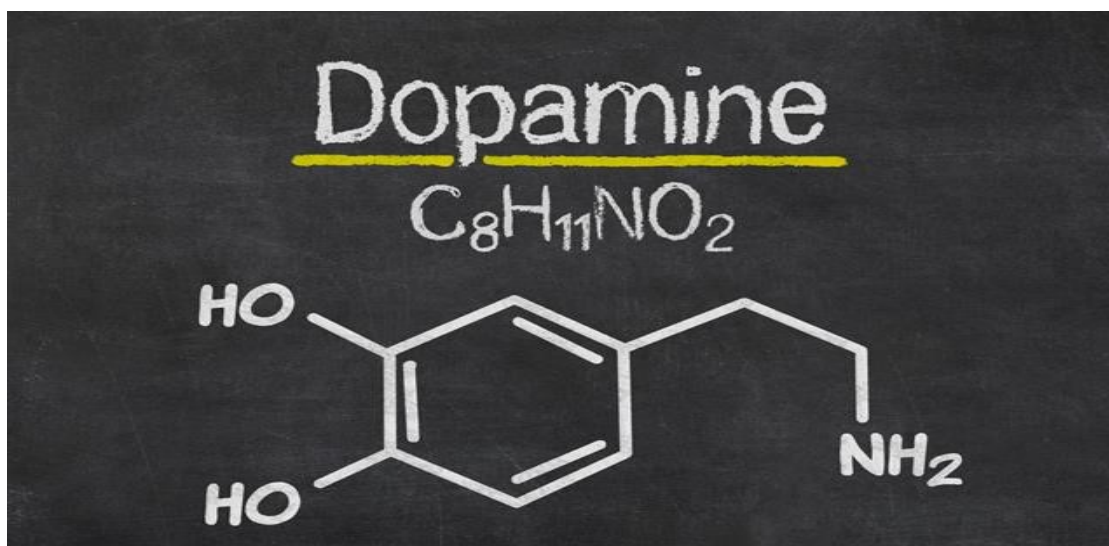
Cranial Chemicals and Their Applications

Almost all these chemicals are also known as neurotransmitters, which means they help in passing and modulating signals between neurons and other cells. A group of about 10 molecules, and more than 50 neuroactive proteins form the neurotransmitters. Several singular ions as well as few fatty acids can also be classified under this category. The

The Chemicals That Cause Depression

chemicals themselves cannot determine their effect, which is controlled by the receptor they go to.

Normally, neurotransmitter molecules are enclosed in vesicles, and a synaptic depolarization results in the opening of calcium ion channels, which releases them. This process is known as exocytosis. When these transmitters are released through exocytosis, they disseminate across the synaptic divide and stick to receptors. Re-uptake is the process by which these transmitters are taken away from the receptors, which clears the channel rendering no neuron stimulated. Neuroactive drugs that affect the brain are known to use the removal mechanisms to their advantage. The dopamine system, noradrenaline system, serotonin system, and cholinergic system are the major neurotransmitter systems in the brain.



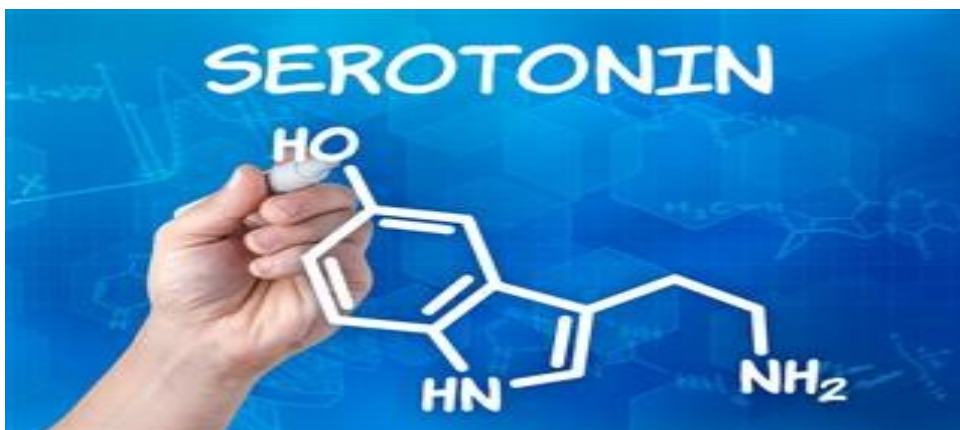
Serotonin and norepinephrine are the main chemicals responsible for depression. Studies have shown that low serotonin levels in the brain can lead to anxiety, irritability, and sleep disorders that are normally associated with depression. Similarly, reduced levels of norepinephrine, a chemical responsible for arousal and alertness can lead to fatigue and a general depressed mood.

Dopamine is another chemical in the brain that can cause depression in a few cases. Another fact about dopamine is that it is associated with addiction of alcohol and

drugs, which can stimulate its production in the body.

Antidepressants prescribed to people going through depression help in increasing transmission of brain chemicals like norepinephrine and serotonin. The medicines do not provide the body with any new substance, instead they just slow the breakdown process of serotonin and norepinephrine, enabling the body to use these transmitters in the brain in a more effective way.

Chemicals That Make You Happy



Serotonin is manufactured with help of an amino acid called tryptophan. This chemical in the brain helps to maintain a feeling of happiness and also controls mood swings, sleep and anxiety levels. Dopamine makes people excited and increases their tendency to talk. It also has a bearing on brain processes which control emotional response, movement and the body's ability to experience pain and pleasure. Another chemical in the brain related to happiness is acetylcholine. Apart from enhancing a person's memory, acetylcholine is related to arousal and sexual performance, as it controls blood flow to a person's genitals. It is believed, that a happy person has high levels of these.

Chemical Imbalance in the Brain

Chemical imbalance in the brain is believed to be the cause for emotional distress and disturbances. There has been a lot of research done, but scientists have not yet been able to come up with the exact cause of chemical imbalances. However, the most potent theory on the same is that chemical imbalance is actually a result of a person's own thought and actions.

The chemicals are programmed to process any incoming information and creating a

corresponding response. This process takes place at an extremely rapid pace. For example, if a person is in the car and has just, seconds before, almost had an accident, his heart rate would be fast, he would be nervous, and probably even shivering a bit. This happens because even though the person is safe, at the time of the possible accident, the person's brain would have interpreted the signals in a particular manner resulting in the subsequent fear.

It is true that chemical imbalances lead to undue stress, worry, and nervousness. But it is because of such emotions that people know how to laugh, cry, love, or worry. Chemical imbalances are an integral part of human nature, which help in interpreting and reacting to different situations, and hence cannot be avoided.

Scientific research on the various chemicals present in our brain is still on and we are trying to simplify the functionality of the human brain as much as possible.

Disclaimer: The information provided in this article is solely for educating the reader. It is not intended to be a substitute for the advice of a medical expert.

Source: www.buzzle.com;
www.bodytomy.com

TECHNOLOGY CORNER

Infrared Grilling Technology: The New Generation Grilling Technique

The infrared grilling technology has emerged to be far more useful and beneficial than the regular grilling techniques. In fact, it has lived up to all the hype that has been created about it. Take a look at how it works, and why it is a must-have for all you barbecue lovers.



Ever wondered why you can't seem to prepare the same juicy, flavourful steak at home, like the one you had last night at your favourite restaurant? Yes, preparing meals identical to that in a restaurant may not be easy, but preparing a steak, like the one in the restaurant, now is. Again, what different is it that they use? Restaurants have been using the infrared grilling technology for a long time now. An infrared grill provides many benefits when it comes to making different delicacies on it, and it is far better than your traditional outdoor grill. You too can enjoy its benefits by investing in one, and relishing the rich flavours that you have so far only enjoyed outside.

How does it Work?

The infrared grill has a special gas burner, which works to transform natural gas into infrared radiation. Within the burner is a gas, which is pressurized by the cooker, and is used for cooking. This gas produces a red flame. As such, the temperatures produced are much higher than in a conventional gas grill. It provides direct heat to the food, for it to cook. Therefore, much less time is required to cook, compared to a traditional barbecue. The heat that is generated is direct, as such it

does not depend on the medium used to cook the food. While a regular barbecue provides a maximum of 800°C of heat to cook, an infrared grill will produce above 1000°C of heat within less than a minute, without having to close the hood.

An infrared grill has a cooking grate, which is in a concave shape. This is to ensure that, any moisture that is released from the food, is collected in the process of searing the meat. In the process of cooking, this moisture turns into vapour, and returns into the food. This means, as compared to your traditional barbecue grill, the meat here will not turn out dry and tasteless. In fact, it locks in the juices and gives you a delicious preparation.

Benefits

Even if you are rooted in the use of the traditional barbecue, you simply must experience the benefits, which infrared grilling technology has to provide. Though there may be several pros and cons of using it, a point to note is that, as the technology improves, the final result only keeps getting better. Thus, the pros definitely outdo the cons here.

- Since an infrared grill takes less time to cook, you can spend less time cooking and enjoy your meal thoroughly. As mentioned earlier, within a minute, it is ready to start cooking.
- The flavours of the food cooked on it are richer than on a regular grill. They provide a uniform distribution of heat, which allows your meat to cook well from all sides. The moisture that returns to the food gives it a rich, smoked flavour.
- Cleaning it up is very simple. In fact, all the grease goes into the cooking grate, and burns there. You can almost consider it to be a self-cleaning technology.
- Cooking on an infrared grill is possible even in the cold, because it is unaffected by the air around.
-
- This type of grill is also more cost-effective than a regular one, considering that it lasts much longer. Moreover, because the food cooks quickly, it utilizes lesser resources, and helps with the cost factor there too. Though while purchasing it, you may have to shell out a little more, it will definitely last much longer than the regular.
- You can use it to prepare anything that you like; steak, vegetables, seafood, and chops. When you try it, you will definitely prepare delicious meals in a matter of minutes.

Infrared Grill Vs. Gas Grill - Wondering Which One to Choose?



Wondering what would suit your style of cooking up a barbecue meal? Confused which grill to choose from - infrared or the convection gas grill? Find the answers to all your questions in this article.

Many factors differentiate a gas grill from an infrared grill and on the other hand, several factors are common as well between the two. For example, both the grills use natural/liquid propane gas to generate heat for cooking, but the way in which the heat is transferred from the source to the food differs in a major way.

To get a better understanding about the way in which food is cooked in each of these grills, let us first understand the modes of transfer of heat.

The most important thing needed in the cooking process is heat. Without heat, any of the above mentioned ways of cooking would be impossible. Heat is nothing but energy, and while cooking, transfer of energy from the heat source to the food takes place. The different ways in which you can cook food are frying, boiling, grilling, broiling, baking, simmering, steaming, roasting, cooking over a fire,

toasting, deep-frying, etc. Heat can be transferred from the source to the food in three ways - conduction, convection, and radiation.

Conduction: This mode of cooking is characterized by direct contact between the source of heat and food to be cooked. For example, when cut vegetables are sautéed in a heated frying pan. The hot surface of the frying pan is enough to cook the vegetables, a second medium is not required.

Convection: This mode of cooking is characterized by the presence of a second medium that transfers heat from the heat source to the food to be cooked. The medium could either be air or liquid. For example, when food is boiled in hot water, the heat from the source is transferred to the water which then transfers the heat to the food. This heat is responsible for boiling the food. Baking, roasting, steaming, and deep frying are other examples of convection cooking.

Radiation: This mode of cooking is characterized by transfer of heat that occurs due to electromagnetic radiation. The heat is radiated by the element that is

heated. This radiated heat is transferred from the source to the food by energy waves. For example, a microwave or an oven has a heating element that radiates heat which is absorbed by the food particles, and food is cooked. Grilling and broiling food are examples of radiation cooking, where convection is present, but the heat is primarily radiated.

Now that you know about the ways in which food is cooked, let us look at grilling in detail.

Grilling

Grilling is the process of cooking by direct exposure to radiant heat, for example, directly over a fire or under a grill. It basically involves all the heating modes. When meat is grilled over a grate or barbecue grill, it is subjected to primary radiation from the heat source, secondary conduction from the grill, and also convection from the air present between the heat source and the meat. There are many different types of grills available in the market. Here, we try to understand the difference between a conventional gas grill and an infrared grill. Gas grills have been around for ages, whereas infrared grills are a recent development.

Difference between Infrared and Gas Grill

Infrared Gas Grill	Convection Gas Grill
Principle	
The principle behind the transfer of heat to the food is mainly radiation.	The principle behind the transfer of heat to the food is mainly convection.
Speed	
Food is cooked faster.	Food is cooked comparatively slower.
Moisture Content	
Locks the moisture in and keeps the food moist.	Continuous loss of moisture and meat juices makes the food dry and hard.
Heat Intensity	
The heat radiated from the heat source is more concentrated.	The heat radiated from the heat source is less concentrated.

Heat Transfer	
The medium of heat transfer is an electric/gas element.	The medium of heat transfer is hot air.
Efficiency	
Since it requires very little time to heat up, it is more time-efficient.	Since it requires more time to heat up, it is less time-efficient.
Since the grill heats up quickly, there is very little loss of heat and fuel.	Since the grill takes more time to heat up, a lot of heat and fuel is wasted.
Temperature Control	
Allows flexibility of temperature control.	No flexibility of controlling the temperature available.
Direct Contact	
The fire flames don't come in direct contact with the food.	The fire flames generally come in direct contact with the food.
Maintenance	
Very low maintenance and easy to clean.	Requires high maintenance and not very easy to clean.
Safety	
The safety mechanism is stronger which avoids major fires or flare-ups.	The safety mechanism is not as strong, which increases the possibility of fires.

Working of an Infrared Grill

Infrared grills work on the principle of radiation of heat. Its construction includes a burner made up of a housing case of stainless steel and a ceramic top. Such construction allows uniform distribution of heat over the grill.

Unlike a conventional grill, where the heat is transferred from the source to the food through an air medium, the infrared grills make use of a heated electric or gas element, which radiates heat and emits infrared waves into the food on the grill. It is not like radiation is the only way in which heat is transferred on an infrared grill. The heated element also increases the temperature and circulation of the air around the grill, which causes convection. But, compared to that, in a gas grill, less amount of heated air is circulated. In a

nutshell, infrared grills provide instant ignition, better heat control, and a uniform heat source which cooks up a better-tasting barbecue meal.

Working of a Gas Grill

Gas grills work mainly on the principle of convection. A small percentage of radiation and conduction is also observed. The construction of a convection gas grill is simple, with drip deflectors, grates, burners, and the grill (usually long iron tubes with equidistant holes in them).

As soon as the burners are ignited, they produce convection heat which rises through the air in the fire box. The drip reflectors/drip protector bars/ceramic plates absorb part of this heat and generate radiant heat. They also generate conduction heat which is transferred to the food when they come in contact with it.

So, the food on a gas grill is cooked with a combination of convection, conduction, and radiant heat. The following list of comparisons between the two types of grills is based on factors like efficiency, taste, safety, temperature control, and maintenance.

Fuel and Time Efficiency

The infrared grill is more efficient than the conventional gas grill in a way that it takes less time to heat up. As soon as an infrared burner is ignited, the temperature of the grill rises above 1000° F in less than sixty seconds. It does not take more than three minutes for an infrared grill to reach a temperature of 1400° F.

A gas grill, on the other hand, takes some time to reach the desired temperature suitable for searing or grilling food. Due to this, the food needs to be grilled for a longer time. Cooking for long makes it dry and drains all its moisture content. The maximum temperature that a gas grill reaches is 500° F. This saves a lot of time.

When cooking meat, each side of a fillet or steak is done under a span of two minutes. Once the meat has been seared on both sides, the flavour, moisture, and juices are all locked and sealed in. Further cooking of the fillet will not let the moisture or flavour drip out. The heat on an infrared burner can be adjusted to slow cook through the meat without burning the outsides.

Since food cooks faster on an infrared grill, less fuel is used. So, a lot of energy and money is saved. On the contrary, a gas grill consumes more time and fuel, and is thus expensive.

Better-tasting Food

When it comes to grilling, taste is a very subjective matter. As already mentioned, food needs to stay longer on a gas grill due to spotty temperature distribution. This results in dried up food, which doesn't appeal to the taste buds. But, with the right amount of circulating air and the right

temperature, it is possible to create wonderful, smoky, perfectly cooked barbecues.

Convection gas grill users swear by this method. However, avant-garde chefs using infrared grills, have been dishing out, if not the same, better-tasting, smoke-induced barbecue cuisine. According to them, infrared grills, which are faster, easier, and more efficient, are the next big thing in the world of barbecues and grills. The only time you need to be careful is when the outside has been seared and you are waiting for the inside of a meat fillet to be cooked. If left unmonitored, the steak or fillet will burn right through, ruining what could have been perfectly cooked meat.

Controlling Flare Ups

This is where the infrared grills earn a brownie point, or two. Most of the cooking grates in an infrared grill are concave in shape. These concave ducts above the burners are meant to hold the liquids and juices dripping out from the food while it is being seared.

Later, the moisture and juices stuck on the grill are vaporized by the heat from the burner which re-enter the food placed on the grill as flavoured smoke. This acts as a safety mechanism too. The juices don't drip over actual fire. This prevents the possibility of flare ups and eruption of fire flames. In a gas grill, on the other hand, the juices drip directly over the fire flames which can result in huge fire eruptions and flare ups.

Regulating the Temperature

It is possible to control the temperature of the gas burners in an infrared grill. This is its biggest advantage. The temperature can be adjusted according to the type of meat being cooked and the amount of tenderness or crispness that would be liked. This option of temperature control also makes the infrared grill suitable for any type of barbecue-cooking, like slow-roasting, searing, grilling, or whether the grill is being used to grill, sear, roast, or barbecue

food.

On a convection gas grill, since it is an open fire flame, the temperature of the gas burners cannot be grilled. The food to be cooked is exposed to air and the heat for a longer time, resulting in dry food, devoid of any moisture or juices. There is also the problem of hot spots and cold spots developing on the grill due to uneven distribution of heat. This affects the quality of barbecued food.

Upkeep and Care

The infrared grills require very little but thorough maintenance. It should be checked for wear and tear, burned grills, and grates, damaged heating element, at least twice a year. If there is very little or no change in the physical condition of the grill, you can clean it using very quick and easy DIY cleaning tips. Infrared grills are designed to be ergonomically efficient because of their compact sizes, availability of side-drawers to store kitchen supplies and they are extremely easy to handle. Gas grills are high maintenance and need to be cleaned more frequently.

Other Types of Grills

- Charcoal Grill (requires charcoal briquettes or wood, or a combination of both for cooking)
- Gas Grill (requires liquid propane (LP) for cooking)
- Electric Grill (runs on electricity; doesn't require gas or coal)
- Portable Grill (can run on propane or charcoal; has an added advantage of being portable)
- Smoker Grill (is used to slow-smoke food over a low heat; additional

aromatic smoking woods can be used to intensify the flavour and tenderize the meat)

- Infrared Grill (makes use of electric/gas media that radiate heat to cook the food)
- Fire Pit Grill (makes use of firewood and natural fire for cooking)
- Barbecue Rotisserie (is used to roast meat that is skewered on a 'spit')
- Infrared Grill
- Natural Gas Grill (requires natural gas for cooking)
- Built-in Grill (a permanent barbecue grill in your backyard which can work on either propane or natural gas)

Progress and Future

- If you thought, it couldn't get better than infrared cooking, it is time you think again. Hybrid infrared gas grill is the next big thing. It gives you a charcoal burner, a natural gas burner and an infrared burner all in one place. Although, it still needs to catch up with the popularity of infrared and gas grills, chefs and cooks all over the world believe, the hybrid technology is here to stay.

In the end, it is, of course, a personal choice to decide which kind of grill would suit your needs the best. It is up to you, to carefully measure the pros and cons of each type and make the right decision.

Source: www.buzzle.com

TECHNICAL MATTERS

Analysing a Bank's Performance: Using the CAMEL(S) Rating System

By Albert Ekuful (CA) & Keziah Appiah Boamah

Introduction

The collapse and takeover of two indigenous Ghanaian Banks – UT Bank and Capital Bank took everyone by surprise. These were promising banks that had high operational visibility particularly in the urban areas of Ghana. Prior to their takeover by GCB bank, the question remains how come stakeholders were not able to see the collapse of these banks on the horizon. In this article, we seek to lay out an approach to analysing and measuring a bank's performance. The model applied is quite different from the traditional ratios used to analyse and measure a firm's performance. Prior to delving into the mechanics of the CAMEL (S) Model, a basic refresh on Financial Statement Analysis will do.

Financial Statement Analysis

Financial information is required for planning, control, decision-making, and performance evaluationⁱ. Three basic approaches exist for the analysis of financial statements. These are (i) trend analysis that is used to assess the entity's current performance against previous periods, (ii) vertical analysis that is used to evaluate performance based on a common denominator in the financial statement and (iii) comparatively by referencing to a benchmark, industry average or competitors in the same industry. Interpreting the results from the analysis and evaluating firm performance is made by reference to the firm's previous performance, its set target, industry averages, and other competitors in the same industry.

Limitations of Financial Statement Analysis

The limitations of using financial statement for business and performance evaluation are as follows:

- Finding a unique base to make comparative analysis since the base

information may be out of date leading to interpretation problems.

- Analysis of accounting information only identifies symptoms and not causes whilst the reader would be much more interested in the causes.
- The effect of price changes makes comparison difficult unless adjustments are made to the time series data where necessary.
- As a base year is required to determine growth or decline in performance, difficulty in determining the base year for effective analysis is a challenge.

The size and scale of business operations and its comparative effect on risk, structure and returns makes the results of inter firm comparison of limited value.

The CAMELS Rating System

CAMEL is being adopted worldwide as a system for rating banking institutions by supervisory authoritiesⁱⁱ. CAMEL examines six factors: Capital Adequacy (C), Asset quality (A), Management Quality (M), Earnings (E), Liquidity (L). In 1996 an additional component, Sensitivity to Market Risk (S) was addedⁱⁱⁱ. Scores are assigned from 1 (best) to 5 (worst) on each of the six factors (UFRIS 1996, p1). Weighted average of the scores is taken and a rating assigned to indicate the health of the bank^{iv}. Information gathered from CAMEL exercise are private in nature made available to senior bank officials and other supervisory authorities for the necessary corrective or improvement actions to be taken^v (UFRIS, 1996). The CAMEL model enables one to assess the relative strength and weaknesses of a bank in comparison with its peers, (UFRIS, 1996). An overall score of 3, 4, and 5 can expose a financial institution to enforcement actions by regulators (Buerger, n.d). To keep the analysis simple, the original 1979 five component CAMEL model will be used in rating and

assessing the soundness and health of our example banks.

In our example, the particular ratios selected for analysing the financial performance of the Banks are based on the CAMEL model developed by the US Securities and Exchange Commission^{vi}.

Limitation of the CAMEL Model

The CAMEL model is based on opinions and judgment in evaluation of performance and assigning scores. This makes the model suffer from ‘indeterminacy, subjectivity and inconsistency’^{vii} (John, 2009). Indeterminacy stems from the possibility that, an examination of the accounting records cannot help in deciding what is good, average or bad score.

Another limitation is that, the subjective judgment of the examiners may differ across such banks or change over time. It is also difficult to find a precise linkage between the expected future conditions of the examined bank and the current ratings assigned. Finally there is less clarity in scores 3 and 4 in terms of their signaling

implications as well as incremental impact of moving up or down the rating scale by 1 or more rating points^{viii} (Whalen, 2005).

Demonstration on the Use of the CAMEL Model

To demonstrate the application of the CAMEL model, we choose two Banks – SG and Zenith Bank for analysis. The aim of this section is to apply the Uniform Financial Institution Rating System’s CAMEL model to analyse and determine the health and soundness of SG Bank comparing it with Zenith Bank. *(The result of this analysis is purely for demonstration purposes and must not be relied on as the true state of affairs of the banks currently).*

Capital Adequacy (C)

Financial institutions are required to maintain capital that is commensurate with the nature and extent of risk the institution can identify, measure, monitor, and control (UFIRS, pp4). Section 23(1) of Ghana’s Banking Act 2004, Act 673 mandates banks to maintain capital adequacy ratio of 10%.

Table 1 shows a comparative analysis of the capital adequacy ratio of both SG Bank and Zenith Bank.

Capital Adequacy Ratio	SG BANK				ZENITH			
	2011	2012	2013	2014	2011	2012	2013	2014
Capital Adequacy Ratio (Tier 1)	18%	16%	16%	13%	16%	15%	13%	11%
Equity to Total Assets	7%	6%	5%	4%	9%	6%	3%	2%

Table 1: Capital Adequacy Ratio ^[Appendix 1]

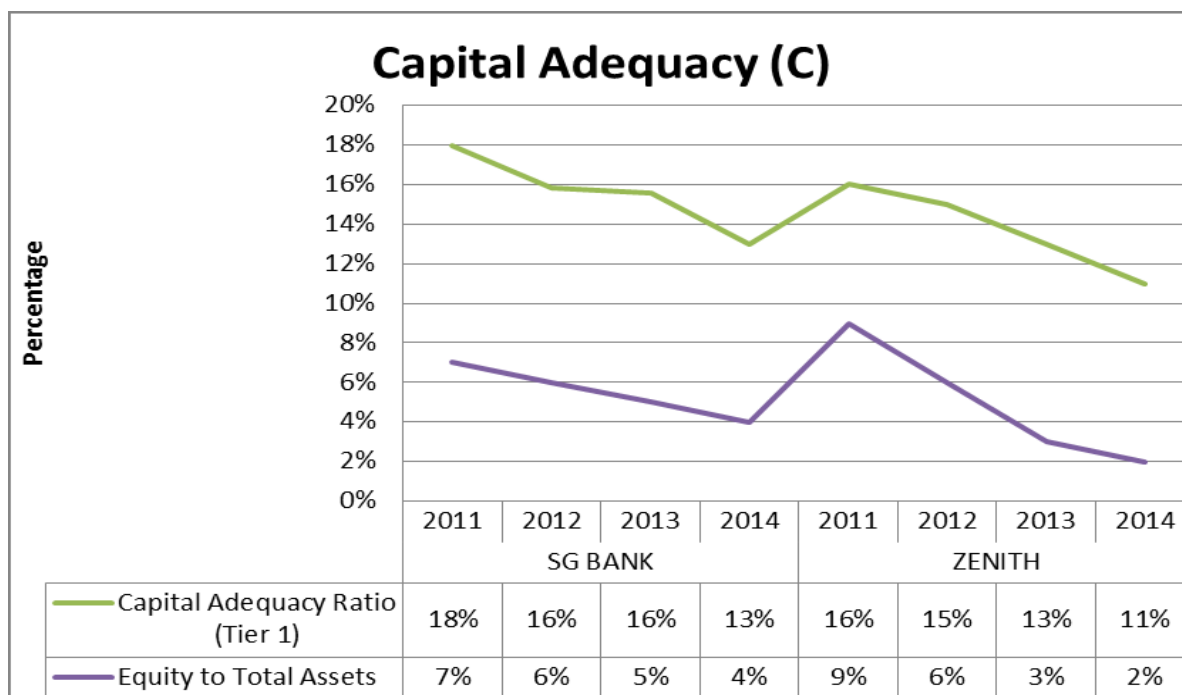


Fig 1: Graphical Representation of the CAR^[Appendix 1]

2014

The CAR for SG Bank dropped by 3% from 16% in 2013 to 13% in 2014^{Appendix 1]}. This is because of increase in the risk weighted Assets from GHS1.22b in 2013 to GHS1.68b^[Annual Report 2014] in 2014. The increase in the risk weighted assets was as a result of increase in loans in 2014 by 19% from GHS740.4m in 2013 to GHS883.0m in 2014^[Annual Report 2014]. Balances due from other banks also increased from GHS80.7m in 2013 to GHS170.1m in 2014, financial investment increased from GHS140m in 2013 to

GHS337.2m^[Annual Report 2014]. The CAR of Zenith (ZB) was because government securities increased from GHS773.53m to GHS 1.3b^[Annual Report 2014] in 2014. Loans increased from GHS676.78m in 2013 to GHS 1.1b in 2014^[Annual Report 2014]. The increase in loans and investment in government securities was because of general positive trends recorded in the Ghanaian economy with the Bank of Ghana's Real Composite Index of Economic Activity growing from 6% in 2013 to 7.9% in 2014.

2013

The CAR for SG in 2013 was 16%^[Appendix 1] recording no change from the 2012 ratio. The ratio was constant because of three factors:

- i. Reduction in balances from other banks from GHS180.80 in 2012 to GHS80.8 in 2013^[Annual Report 2013].
- ii. Increase in income surplus from GHS18.98m to GHS35.98m^[Annual Report 2013].
- iii. Increase in loans to customers from GHS520.10m in 2012 to GHS740.4^[Annual Report 2013].

CAR for ZB decreased from 13% in 2013 to 11% in 2014. This fall is because of increase in the risk weighted assets of ZB. Government securities increased by 269.7% from GHS209.2m in 2012 to GHS773.53 in 2013, whilst loans increased by 107% from GHS326.4m in 2012 to GHS676.78m in 2013. The increase in lending and investment in government securities was because of attractive interest rate of 24.09% on treasury rate and an industry average lending rate of 25.6%.

2012

The CAR for SG Bank fell from 18% in 2011 to 16% in 2012^[Appendix 1]. In 2012, advances increased from GHS 344.55m in 2011 to GHS520.1m ^[Annual Report 2012]. Financial investment reduced from GHS174.5m in 2011 to GHS120.45m ^[Annual Report 2012].

ZB CAR also declined from 16% in 2011 to 15% in 2012.

The American Insurance Association CAMEL Approach to Bank analysis gave a scoring criterion of 8^{ix} for the CAR and $\geq 4 - 6\%^x$ for the equity to assets ratio.

Asset Quality	SG BANK				ZENITH BANK			
	2011	2012	2013	2014	2011	2012	2013	2014
NPL to Total Loans	0.26%	1.03%	2.27%	4.37%	4.50%	3.29%	1.99%	1.09%
Growth in Deposits	N/A	37.27%	7.80%	21.74%	N/A	35.34%	36.61%	73.16%

Table 2: Asset Quality Composition ^[Appendix 2]

2014

From table 2, the percentage of SG Bank's non-performing loans increased from 2.27% ^[Appendix 2] in 2013 to 4.37% in 2014^[Appendix 2]. The increase is because of loan write offs from GHS16.82m in 2013 to GHS38.6m in 2014^[Annual Report 2014]. Increase in NPLs was caused by contraction of the economy in 2014 with GDP declining from 15% in 2011 to 8% in 2014. This is compounded with energy shortfall leading to decreased production and job losses. Deposits increased by 21.74% from GHS926m in 2013 to GHS1.1b in 2014^[Annual Report 2014]. The increase in deposit was because SG carried out intensive deposit mobilisation exercise through a reward system where customers who deposit GH250 or more were entered into a raffle for prizes to be won monthly ^[Annual Report 2014].

ZB reduced its NPL from 1.99% in 2013 to 1.09% in 2014 at the same time growing its deposits from 36.61% in 2013 to 73.16% in 2014. In nominal terms, deposits increased from GHS1.07b in 2013 to 1.85b in 2014, a large portion of these was demand deposit. Loans increased from

Because the banks exceeded the standard score of 8^{xi} we assigned a rating of 1 to the two banks in accordance with UFIRS guidelines^{xii}, implying a strong capital level relative to the banks' risk profile.

Asset Quality

The quality of a bank's asset is represented in the quality of its loan portfolio and credit administration program (UFIRS, pp5.). The percentage of non-performing loans (NPL) to total loans granted is considered as the key ratio to determine asset quality.

GHS676.8m in 2013 to GHS1.1b in 2014. Despite the general economic conditions facing the two banks, the NPL ratio increased for SG whilst that of ZB fell. This is because of aggressive loan recovery policy and strategy to lend more to institutional and corporate entities than individual customers ^[Annual Report 2014].

2013

NPL went up from GHS5.35m ^[Annual Report 2013] (1.03%) in 2012 to GHS16.83m ^[Annual Report 2013] (2.27%) in 2013. NPL increased because of challenges in the economy such as job losses and high operating cost that made loan recovery difficult.

In 2013, deposit rate fell significantly from 37.27% in 2012 to 7.8% despite absolute increase from GHS859m in 2012 to GHS926m^[Appendix 2]. Despite the fall in deposit rate, advances went up by 42.4% from GHS520.10m ^[Annual Report 2012] in 2012 to GHS740.m ^[Annual Report 2013] in 2013. Advances increased because, average industry lending rate for 2013 was 25.6%^{xiii} whilst government Treasury bill rate was 19.22%^{xiv} and monetary policy rate 16%^{xv}. The 9.6% spread between the policy rate and lending rate was greater

than the 6.38% spread between the policy rate and treasury rate. The difference was motivating factor for the increased lending in 2013.

2012

In 2012, NPL rose from 0.26%^[Appendix 2] in 2011 to 1.03%^[Appendix 2] in 2012. This means GHS0.9m in loans was written off in 2011 which increased to GHS 5.35m^[Annual report 2012] in 2012. General economic slowdown affected various sectors of the economy with GDP declining from 15% in 2011 to 8.8% in 2012. This resulted in decrease in loan recovery rate pushing up write offs.

Deposits for 2012 amounted to GHS859m^[Annual Report 2012] from GHS625m^[Annual Report 2012] in 2011 representing 27.27%^[Appendix 2] increase. This was the result of aggressive

deposit mobilisation exercise carried out by the bank.

The standard rating is 10%^{xvi}. This implies that SG Bank performed better in 2011 and 2012, with decline in performance in 2013 and 2014. Zenith on the other hand improved upon its NPL performance declining from 4.5% in 2011 to 1.09% in 2014.

Management

Management's quality is reflected in the abilities of the board of directors and senior management to identify, measure, monitor, and control the risks, create value for shareholders, utilise available assets efficiently and increasing loan portfolio (UFIRS).

Management	SG BANK				ZENITH BANK			
	2011	2012	2013	2014	2011	2012	2013	2014
Growth in Loans & Advances	N/A	50.95%	42.36%	19.27%	N/A	62.73%	107.37%	62.14%
Growth in Assets	N/A	29.47%	11.72%	37.76%	N/A	35.68%	102.28%	60.02%

Table 3: Management Quality^[Appendix 3]

2014

SG Bank grew its loan portfolio by 19.27%^[Appendix 3] from GHS740.40m^[Annual Report 2014] in 2013 to GHS883.00m^[Annual Report 2014] in 2014. The growth was significantly lower than the 42.36% recorded in 2013. Loan rate reduced in 2014, because with the increase in NPL of 4.37%^[Appendix 2], in addition to decline in economic performance it was prudent for management to minimise the risk associated with lending.

SG Assets grew from GHS1.21b in 2013 to GHS1.68b^[Annual Report 2014] in 2014 an increase of 37.76%^[Appendix 3]. Asset growth was because of increases in Financial Investment by 140% from GHS134m^[Annual Report 2013] in 2013 to GHS337.2m^[Annual Report 2013] in 2014. The Treasury bill rate was 25.8% from 19.2% in 2013, the 182-day bill increased to 26.4% from 18.7% in 2013. The rate on the 1-year note rose to 22.5% in 2014 from 17%, with the 2-year rate increasing to

23% from 16.8%. The 3-year bond rate rose to 25.5% in 2014 from 19.2%.

These significant returns on government securities crowded out advances to the private sector resulting in the percentage decline in advances. Management took advantage of the increase in government borrowing rates which is considered as safe investment in 2014 to grow its assets^{xvii}.

2013

SG recorded an increase of 42.36% in advances from GHS520.10m in 2012 to GHS 1.2b in 2013. The increase in advances was motivated by higher returns on lending 25.7% to customers as compared to an average of 19% return on investment in government securities. Growth in assets was 11.72% over the 2012 figure. It rose from GHS1.08b in 2012 to GHS740.40m. The increase in asset growth was driven by increase in advances as a result of higher spread in the

returns in lending. With customer deposits increasing marginally, SG drew down on its balances with Bank of Ghana from GHS181.13m in 2012 to GHs144.92m in 2013 as well as improvement in cash holding with other banks from GHS180.79m in 2012 to GHS80.75 in 2013.

2012

Loan and advances saw a 50.95% increase from GHS344m in 2011 to GHS520.10m in 2012. The increase in the loan ratio is because of higher yield on loans and advances as opposed to investment in government securities. To attest to this, SG reduced its financial investments by 31% from GHS174.5m in 2011 to GHS120.45 in 2012.

Asset grew by 29.47% in 2012.

The reason for the higher growth in Zenith’s loan portfolio can be attributed to attractive terms and conditions given on loans and a willingness to take on higher risk

Because of the performance analysed above, I assign a CAMEL rating of 3 to SG Bank and assign a rating of 2 to Zenith Bank.

Earnings Ability

Earnings are described as the first line of defense against capital depletion (UFRIS, 1996). Banks derive revenues from interest on loans, fees, forex trading, investment and other income sources [Annual Report 2012]. Diversification ratio measures the extent a bank is able to generate revenue from other sources apart from interest income.

Earnings Ability	SG BANK				ZENITH BANK			
	2011	2012	2013	2014	2011	2012	2013	2014
Diversification Ratio	34.15%	38.77%	33.17%	32.81%	33.43%	38.87%	28.21%	19.62%
Interest Income to Loans Ratio	24%	18%	18%	23%	30%	25%	27%	36%

Table 5: Earnings ability of the two Banks [Appendix 4]

2014

In 2014, SG earned 32.81% of its income from **sources** interest income. Fees amounted to GHS57.5m whilst forex trading income was GHS33.7m [Annual Report 2014]. The ratio however reduced from 33.7% in 2013 because the attractive lending increased interest income, which is seen in the 23% interest to loan ratio which increased from 18% in 2013.

2013

Diversification ratio decreased from 33.17% in 2013 down from 38.77% achieved in 2012 whilst the Bank maintained an 18% loan interest ratio for 2013. This is because as lending increases both to the private sector and to support government deficit financing, interest income increases thus reducing the

diversification ratio. The implication is that more reliance is placed on generating interest income than improving other revenue sources.

Based on these analyses we assign a CAMEL rating of 2 to SG Bank and a rating of 1 is assigned to Zenith Bank.

Liquidity

“Liquidity represents the ability to fund assets and meet obligations as they become due” (UFRIS, 1996). To rate the liquidity profile of the banks, we calculated Loan Deposit and Liquid Assets to Deposit ratio. Loan Deposit ratio reflects the percentage of customer deposit that is channelled into loans whilst liquid assets ratio shows the proportion of cash and near cash resources available to meet customers’ deposit obligations^{xviii}.

Liquidity	SG BANK				ZENITH BANK			
	2011	2012	2013	2014	2011	2012	2013	2014
Loan Deposit Ratio	55%	61%	80%	78%	35%	42%	63%	59%
Liquid Assets to Total Deposit Ratios	66%	56%	39%	61%	83%	76%	114%	103%

Table 6: Liquidity profile of SG and Zenith Bank [Appendix 7]

2014

In 2014, SG's customer deposits was GHS1.13b [Annual Report 2014] out of which 78% [Appendix 5] GHS883.04 [Annual Report 2014] was in advances.

SG's liquid asset to deposit ratio stood at 61% in 2014 up from 39% in 2013.

2013

80% of deposits of GHS926m were channelled into loans amounting to GHS740m. This was significantly higher than 2012 ratio of 61%. The reason for channelling more deposits into loans was to take advantage of the favourable interest rate and increasing yield on government securities.

Liquid asset to deposit ratio was 39%, dropping significantly from 56% from 2012. The drop in the ratio was because of increase in the use of deposits to finance

lending which cause the loan deposit ratio to increase to 80%.

2012

Loan to deposit ratio for 2012 was 61% which is higher than the 51% in 2011. GHS520m [Annual Report 2012] out of GHS859m deposits was advanced to customers. The increase in loan deposit ratios was because the banks took **advanced** more of customer deposit to generate interest income. Liquid asset to deposit ratio was 66% which means more of the customer deposits were held in vaults instead of being put to in loans to earn interest. This is conservative approach to minimise exposure of the bank to default risk.

In the terms of liquidity, the performances of both banks are quite strong and I therefore rated 2 for SG Bank and 1 for Zenith Bank.

Summary

The composite summary of the CAMEL rating for the two banks is provided below:

Component	SG Bank	Zenith Bank
Capital Adequacy	1	1
Asset Quality	3	2
Management	3	2
Earnings	2	2
Liquidity	2	1
Composite Rating	2.2	1.4

Table 7: Composite Rating of the two banks [Appendix 6]

Table 7, shows the composite ratings for the two banks. The composite rating of 2.2 implies that SG bank is fundamentally sound^{xix}, stable and capable of withstanding business fluctuations. The bank is also in substantial compliance with laws and rules with no material supervisory concerns (UFRIS, 1996).

Zenith bank had a composite score of 1.4^{xx} which means Zenith bank is most capable

of withstanding erratic business conditions, resistant to outside influences, compliance with laws and rules and shows the strongest performance in risk management practices (UFRIS, 1996).

Analysis of External Factors that Impacted the Operations of the Banks

PESTEL Analysis

This section looks at how external factors impacted on the performance of the SG.

Political

Stable political environment reduces political risks associated with investments in a country^{xxi}. Political stability gives confidence to investors to invest to and expand their operations in the economy. The influence of Ghana government on the banking industry has been negligible. The enabling political environment has been the bedrock for the successes in the banking industry^{xxii}. Within this environment, SG Bank in 2014, expanded its operation by opening two new branches [Annual Report, 2014], an agency [Annual Report, 2014] and branch improvement projects in 3 other branches (Annual Report, 2014). In 2013, the Bank invested in the construction of a Head Office and two more branches (Annual Report 2013). The stable political environment provides opportunity for the bank to invest in additional branches in other major towns of Ghana such as Nsawam, Konongo, Wenchi, Kpando, and Zebilla.

Economic

Macro-economic factors such the monetary policy, inflation and interest rates plays a critical role in the bank's performance as these variables affects borrowing cost, lending rates and pricing

by the banks. Ghana's GDP growth fell from 8.8% in 2012 to 7.3% in 2013 and 4% in 2014 (GSS, 2015). The service sector that includes the banking industry made up 49.6% of the 2014 GDP growth^{xxiii}. Inflation rate increased from 8.8% in 2012 to 13.5% in 2013 and 17% in 2014 (GSS, CPI Newsletter). At the same time, the monetary policy rate rose from 13.5% in 2012 to 16% in 2013 and 21% in 2014 (Bank of Ghana, 2015).

This implies that Ghana's economy experienced difficult moments ranging from decline in economic output to increased cost of goods and service as well as increase in the borrowing rate impacting on the lending rates of the banks. These had good and bad effect on SG performance. On the good side, the increased lending rate resulted in an increase in interest income as depicted in Table 8. As shown in table 8, the income pattern of the two banks followed to a greater extent the GDP pattern of the economy, whilst interest expenses followed the pattern of the monetary policy rate. Despite the challenging economic environment, SG bank posted good net profit margins but lower than the results of Zenith Bank.

Net Profit (%)				
Year	2011	2012	2013	2014
SG Bank	26%	27%	25%	24%
Zenith Bank	18%	31%	43%	41%

Table 8: Comparative growth in Net Profit for SG and Zenith [Appendix 7]

The above table indicates that opportunity exist for SG to actively compete, improve its performance, generate more income and increase its market share.

Social

2014 Ghana's population is estimated at 26.4million persons (GLSS6, 2014), 13.8m of these are within the 0-19 year age group whilst 0.5m fall in the 60+ category; leaving 12.1m in the 20 – 59 year bracket which incidentally fall into

the working class^{xxiv}. World Bank statistics indicates that 70% of Ghana's population are unbanked^{xxv}. The growth in Ghana's population and the high rate of the unbanked segment is an opportunity for SG bank to grow and expand its operations. The strategy is to mobilise savings from the 0-19 and pension funds from the 60+ year groups and loan out these funds increase interest income.

Technological

The banking sector has seen the greatest transformation in the use of Information Technology to deliver fast and efficient services. Ghana is ranked as the highest country in Africa in mobile broadband penetration in 2012 surging from 7% in 2011 to 30% in 2012^{xxvi}, whilst wired broadband was marginal (ITU, 2012). Zenith bank operational strategy relies on IT based products^[Annual Report 2012], priding itself in the slogan “*people, technology service*”^[Annual Report 2012] believing that “*the strategic development and deployment of e-Business platforms are key competitive factors in the banking industry*” (Zenith Bank, Annual Report, 2013). The emphasis on the deployment of technology by Zenith could be a contributing factor for the lower personnel expense in Table 10 as compared with SG Bank^[Appendix 8]. SG has the sikanet and sikatext, coupled with ATM services but it is lacking in the space for electronic payment system and other e-commerce solutions. It therefore has the opportunity to take advantage of the increasing mobile penetration and internet usage to launch more IT based products and services.

Legal

Banking operations are highly regulated. A bank must comply with several enactments such as Companies Code 1963 (Act 179)^{xxvii}, Banking Act 2002 (Act 612)^{xxviii}, and Bank of Ghana Act 2004 (Act 673)^{xxix}. All banks are expected to comply with the provisions of these laws. A breach of these laws will cause the imposition of penalties, confiscation of assets, imprisonment and forced closure depending on the severity of the crime. There has not been any criminal charge against SG bank in these respect and it is a plus to the management.

Conclusions

Global economic growth was estimated at 3.4%^{xxx} and growth in developing economies estimated at 4.6%^{xxxi}. In Ghana, the Bank of Ghana Composite Index of Economic Activity (CIEA) registered a 10.8%^{xxxii} growth in 2014 as

against 3.3%^{xxxiii} in 2013. The Ghanaian economy therefore experienced some positive outcome despite the stress from the energy sector.

Ghana’s banking industry grew steadily in nominal and real terms^{xxxiv}. Because of increased deposit mobilisation, credit to the private sector grew by 46.2%^{xxxv} in 2014. The industry also supported government budget financing in loans resulting in a Net Domestic Financing of GHS4.8b^{xxxvi}. Interest Income on lending to both the public and private sector was the main revenue driver for the banks.

In terms of the CAMEL components, SG complied with the 10% capital adequacy ratio required by the Bank of Ghana and exceeded the CAMEL requirement of 8%. This means the bank performed well in meeting its capital requirement. The bank did well in improving the quality of their assets with NPLs outperforming the industry of average of 5.3%. Deposit grew significantly thorough intense deposit mobilisation activities. It was observed that the bank earned most of its revenue from interest income. The rest are fees, commissions and forex transactions.

The composite CAMEL score for SG Bank was 2.2 while Zenith Bank score was 1 .4. It appears that Zenith is in a sound and healthier state than SG bank. SG bank however is not a regulatory concern yet, but management should do well to improve the composite score of the bank.

SG achieved growth as a result of the stable political environment, coupled with opportunities arising from increasing population and complying with the legal requirements governing the banking industry.

In all, within the challenges of the banking industry and Ghanaian economy in general, SG Bank has performed well.

Recommendations

The banks should increase income from other sources such as fees and commissions to diversify its revenue. SG bank should work hard at reducing its personnel cost while improving service

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delivery. The bank should also take advantage of ICT to modernize its operation and streamline its service delivery to attract and to retain its customers.

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QUOTES

“You’re only here for a short visit. Don’t hurry, don’t worry. And be sure to smell the flowers along the way.”

—Walter Hagen

“A man who dares to waste one hour of time has not discovered the value of life.”

—Charles Darwin

“If life were predictable it would cease to be life, and be without flavor.”

—Eleanor Roosevelt

“All life is an experiment. The more experiments you make the better.”

—Ralph Waldo Emerson

“Find ecstasy in life; the mere sense of living is joy enough.”

—Emily Dickinson



