SOLUTION 1

(a) Possible causes of the difference between actual and budgeted figures are:

(i) **Direct Tax**
    Unfavourable variance of
    - Power problems leading to companies and enterprises recording low profits.
    - Inefficiency on the part of GRA collections
    - Over estimation of GRA targets

(ii) **Indirect Tax**
    Unfavourable variance of
    - Non-consumption of the VAT selected goods and services
    - Over estimation of target
    - Dwindling of export trade
    - Decrease of imports
    - Revenue leakages
    - Inefficiency in collection of revenue

(iii) **Grants**
    Unfavourable variance of
    - Not meeting conditionalities for disbursement
    - Withdrawal of development partners
    - Wrong or over budgeting

(iv) **Other revenue**
    Unfavourable variance of
    - Citizens not committing offences
    - No more assets or reduction of assets to sell
    - Users of government facilities and assets not paying

(v) **Compensation of employees**
    Recording favourable variance of
    - Over budgeted payroll or estimated increase not met
    - More people retired than employed
    - Government creating arrears

(vi) **Goods and services**
    Favourable variance of
    - Government not disbursing as budgeted
    - Estimated price increases lower than budgeted
    - Cutting down on the use of consultants
(vii) **Interest**  
Unfavourable variance of  
- Cost of borrowing higher than budgeted  
- More borrowing by the government  
- Previous defaults being paid now

(b) Reasons why budget and prior year numbers are reported in government financial statements:

(i) To identify significant difference.  
(ii) To facilitate meaningful comparisons, planned and prior period results need to be reported.  
(iii) To assess whether the same accounting policies and consistency concepts are used in the preparation of the financial statement.  
(iv) It provides a measure of a government’s financial performance in the achievement of its objectives.  
(v) It provides important accountability information about the budget decisions of the current period.  
(vi) A government’s budget is a crucial element in the accountability cycle and the standard against which subsequent performance is judged.

**SOLUTION 2**

(a) **Expenditure Returns for 2012**

<table>
<thead>
<tr>
<th></th>
<th>Warrant received for the 4th quarter</th>
<th>Previous warrants</th>
<th>Cumulative warrants</th>
<th>Payments for the quarter</th>
<th>Previous payments</th>
<th>Cumulative payments</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>CP</td>
<td>1,600,000</td>
<td>4,000,000</td>
<td>5,600,000</td>
<td>1,400,000</td>
<td>4,250,000</td>
<td>5,650,000</td>
<td>(50,000)</td>
</tr>
<tr>
<td>G &amp; S</td>
<td>300,000</td>
<td>2,000,000</td>
<td>2,300,000</td>
<td>200,000</td>
<td>1,800,000</td>
<td>2,000,000</td>
<td>300,000</td>
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<tr>
<td>Assets</td>
<td>1,200,000</td>
<td>2,300,000</td>
<td>3,500,000</td>
<td>800,000</td>
<td>2,350,000</td>
<td>315,000</td>
<td>450,000</td>
</tr>
<tr>
<td></td>
<td><strong>3,100,000</strong></td>
<td><strong>8,300,000</strong></td>
<td><strong>11,400,000</strong></td>
<td><strong>2,400,000</strong></td>
<td><strong>8,400,000</strong></td>
<td><strong>11,800,000</strong></td>
<td><strong>700,000</strong></td>
</tr>
</tbody>
</table>

(b) (i) Sources of petroleum revenue include:  
- Royalties on oil and gas exploration.  
- Direct or indirect revenues accruing to government from involvement in the exploration business. That is, proceed from sales of government share of crude oil.  
- Income taxes and other fees received from upstream and midstream companies.  
- Income taxes from national oil company.  
- Dividend and other benefits from national oil company.  
- Any other revenues relating to oil and gas industry.
(ii) Types of funds under the Petroleum Revenue Management Act 2011 (Act 815)

- **Petroleum Holding Fund**
  It is a fund established to receive and disburse petroleum revenues due to the state. All petroleum revenues are required to be deposited into the petroleum holding fund with Bank of Ghana for subsequent transfer to the stabilization fund, heritage fund and the consolidated fund. The fund can neither be used to provide credit to government nor used as collateral for debt, guarantees, commitments or their liabilities.

- **Ghana Stabilization Fund**
  It is a fund established to cushion the impact or sustain public expenditure capacity during period of unanticipated petroleum revenue shortfall. An approved percentage is transferred from the petroleum holding fund to this fund.

- **Ghana Heritage Fund**
  It is created to provide an endowment to support the development for the future generations when the petroleum resources have been depleted. Any excess petroleum revenues in a particular year are payable into this fund. In addition, an approved percentage is transferred from the petroleum holding fund to this fund.

(c) Benefits of adopting IPSAS in Ghana may include:

- It improves the quality and comparability of financial information reported by the public sector entities across the world.

- It promotes transparency in financial disclosures since stringent disclosure requirements need to be met.

- It also enhances consistency in preparation and presentation of financial information in the public sector.

- It eases auditing of public accounts since auditing complies with single accounting standards.

- It fosters stronger governance procedures and framework for accounting practices in the public sector leading to overall improvement in public financial management.
SOLUTION 3

(a) (i) Objectives of Government Fiscal Policy

- Allocation of resources
- Reduction of the rate of inflation
- Stabilization of the economy
- Acceleration of the rate of growth
- Distribution/redistribution of income

(ii) Fiscal Policy Instruments

Taxation
This could be used as incentives or penalties. The government could encourage foreign investors to set up businesses in Ghana by charging a very low rate in corporation tax on their profits. The government could manipulate import duties to influence the balance of payments position of the country.

The Budget
The government can use the budget as an instrument to create or maintain high employment or to promote improvement in the condition of life of the citizens.

Regulatory Policies or Regulations
Government regulation could, for instance, lead to over-valuation of the country’s currency. Over-valuation exchange rate may conceal a lot of disguised income redistribution, leading to product subsidies but the government could also use regulations to ensure that total resources are divided between private and social goods such as roads, schools etc.

(b) (i) Cost of borrowing
The government wants to be sure that the cost of borrowing is as low as possible and that it will not make unnecessary commitments, repayments and so on.

(ii) Term of loan
The government ensures that the most appropriate type of loan is obtained with regard to its term. For example, if funds are required to cover expenditure (debt payments) at the beginning of a month, that will be covered by tax receipts two weeks after, the only short-term debt should be incurred. This will then be redeemed using the receipts.

(iii) Cash forecast
The government ensures that it has information to properly plan cash requirements. The government needs to know when receipts are expected and payments must be made. It can then make an informed decision on the amount and timing of the debt to be incurred.
(c) (i) The accounts have been properly kept;

(ii) All public monies have been fully accounted for, and rules and procedures applicable are sufficient to secure an effective check on the assessment, collection and proper allocation of the revenue.

(iii) All monies have been expended for the purpose for which they were appropriated and the expenditures have been made as authorised.

(iv) Essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public property.

(v) Programmes and activities have been undertaken with due regard to economy, efficiency and effectiveness in relation to the resources utilized and results achieved.

(d) (i) He shall inform the Sector Minister and suggest actions he wanted to pursue

(ii) Ascertain the extent and amount of loss

(iii) Determine whether control or operational arrangements need to be improved in order to prevent occurrence of similar losses in his department.

(iv) Discover whether any offence or other fault of a public officer has been revealed by the investigations.

SOLUTION 4

(a) Actions to reduce the burden of external debt
- Embargo on new loans
- Limits on debt service payments
- Debt restricting
- Re-financing of the existing debts
- Debt conversion to equity or assets
- Debt re-scheduling

(b) The following are examples of entries, updates or corrections that could be made by the PPS on the IPPD.

(i) Capturing of newly employed staff data or the creation of new entrants.
(ii) Effecting promotions for existing staff.
(iii) Terminating records of staff who have resigned, died or dismissed etc.
(iv) Correction of staff data such as SSNIT number, date of birth, bank details, grade/job etc.
(v) Suspending salaries
(vi) Re-activating suspended salaries.
(c) (i) This is a quasi-government organization established for commercial or other purposes by an Act of Parliament.

(ii) Three sources of revenue accruing to a public corporation include:
- Money that may be provided by Parliament for the corporation
- Loans granted to the corporation and
- Monies accruing to the corporation in the exercise and performance of its functions.

(d) (i) It forms an essential record of assets and property of an organization.

(ii) It facilitates the periodic confirmation of assets

(iii) It enables books to be adjusted easily for disposals

(iv) It facilitates accurate determination of original cost

(v) It facilitates computation of replacement cost

(vi) It helps to arrive at insurance valuation and claims.

SOLUTION 5

(a) (i) **Committed Expenditure**
   This is where government has accepted responsibility for expenditure to be incurred for works, goods and services. For example, when a PO has been passed or an agreement for a contract is signed.

(ii) **Accrued Expenditure**
   This is where expenditure has actually been incurred or benefits thereof derived. For example, when works, goods or services have been received or performed but payment not effected.

(b) (i) All goods delivered shall be accompanied by suppliers waybill and VAT invoice.

(ii) Goods shall be verified against specifications in purchase order to ensure that correct materials have been delivered.

(iii) An inspection team together with the storekeeper shall inspect the goods.

(iv) After inspection, the storekeeper signs copies of the supplier’s waybill to confirm receipt of goods.
(v) The storekeeper shall then issue a Stores Received Advice signed by him in triplicate, first copy to procurement unit, second copy to accounts department and third copy retained at stores unit.

(c) (i) Tender security means an amount to secure the fulfillment of any obligation of a contractor, supplier or consultant, which may take the form of a financial deposit, a surety bond, or an irrevocable letter of credit.

(ii) Least Cost Selection (LCS) means a competitive method where quality and cost are taken into account but the firm offering the least cost is considered.

(iii) **Tender Evaluation Panel**
Each procurement entity shall appoint a tender evaluation panel with the required expertise to evaluate tenders and assist the Tender Committee in its work.

(iv) **Board of Survey**
For disposal unserviceable obsolete or surplus stores plants and equipment. The board survey comprises representatives of departments or with unserviceable, obsolete or surplus stores, plants and equipment which shall report on the items and subject to a technical report on them, recommends the best method of disposal after the officer in charge has completed a board of survey.

(v) **Right of Review**
Any supplier, contractor or consultant that claims to have suffered or that may suffer loss or injury due to a breach of a duty imposed on the procurement entity by the Act may seek review in accordance with the Act.