SOLUTION 1

(a)  
  i. **Debit Assumption**
  Government often guarantees debts incurred by MDA’s. Debt assumption takes place when the creditor invokes the contract conditions permitting the guarantee to be called and the government assumes responsibilities for the debt as a primary obligator or debtor.

   ii. **Contingent Contract**
   Contingent contract are contracts that creates a conditional financial claim on a unit. It is conditional because the claim only becomes effective if a stipulated condition arises. The occurrence of the condition confers a right or obligation that affects future decisions.
   Contingent contract represent either a potential asset or liability.
   A common type of contingent liabilities of a government is a guarantee of payment for MDA.

   iii. **Debt-for-Equity-Swaps**
   A government unit acting as a creditor might exchange debt instrument for shares or other equity instrument issued by the same unit that issued the debt instrument.

(b)  
  Budget revision ay become necessary for the following reasons:-
  (i) Significant changes in the National Budget as finally approved by Parliament.
  (ii) Significant changes in the National wage Policy, Prices or Rates.
  (iii) Unforeseen events particularly those that relate to project activity.

A warrant is an important document because:

- It gives the spending officer the authority to request that payments are made;
- It lets the spending officer know how much he can spend;
- It shows that sufficient funds remain in the cote to cover expenditure;
- It ‘rations’ the amount of the vote that can be spent during the period;
- It determines how funds should be used (by specifying an account number);
- It limits the amount a spending officer can spend.

Types of Warrants

- General Warrant – used to access Item 1 and 2 Budget Funds, and
- Specific Warrant – used to access Item 3 and 4 Budget Funds

Requirement for Issuing Warrants

Warrants shall be issued based on submission of MDA Consolidated work/cash Plan to Ministry of Finance.

- Authorization 1 – National Warrant: Issued by the Minister of finance to the Director of Budget.
• Authorization 2 – Ministry Warrant: Issued by the Director of Budget to transfer approved budget to MDAs.
• Authorization 3 – Department Warrants: Issued by Ministries to its Departments.

Authorization Levels of General Warrant

• Authorization 4 – Divisional Warrants: Issued by Departments to its Divisions.
• Authorization 5 Spending Units Warrants: Issued by Divisions to its Cost Centres where spending takes place.

Note: Budget can only be committed at Authorization 5.

Processing General Warrant

• All warrants received by MDAs should be lodged at servicing treasury.
• Servicing Treasuries should immediately enter particulars of warrants in the Vote service ledger.

SOLUTION 2

(a)

TAYOO DISTRICT ASSEMBLY
REVENUE AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2011

<table>
<thead>
<tr>
<th>GH₵</th>
<th>GH₵</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
</tr>
<tr>
<td>GOG – Support</td>
<td>20,000,000</td>
</tr>
<tr>
<td>DACF – receipts (wk5)</td>
<td>4,875,000</td>
</tr>
<tr>
<td>Internally Generated Fund (IGF wk1)</td>
<td>21,600,100</td>
</tr>
<tr>
<td>Interest on Investments</td>
<td>1,000,000</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td>47,475,100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GH₵</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXPENDITURE</strong></td>
<td></td>
</tr>
<tr>
<td>Personnel emoluments (wk3)</td>
<td>382,800</td>
</tr>
<tr>
<td>Good &amp; service cost (wk4)</td>
<td>11,310,140</td>
</tr>
<tr>
<td>Investment costs (wk2)</td>
<td>19,647,000</td>
</tr>
<tr>
<td>Other recurrent expenditure</td>
<td>12,500,000</td>
</tr>
<tr>
<td>Interest costs</td>
<td>200,000</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURE</strong></td>
<td>44,039,940</td>
</tr>
</tbody>
</table>

Excess of revenue over expenditure
Transfer to net acc results

3,435,160
NET Accumulated results account
Balance as at 1\textsuperscript{st} January 2011  6,878,082
Transfer from revenue and
Expenditure statement  3,435,160
Balance as at 31\textsuperscript{st} December 2011  10,313,242

TAYOO DISTRICT ASSEMBLY
STATEMENT OF FINANCIAL POSITION
AS AT 31\textsuperscript{ST} DECEMBER 2011

\begin{tabular}{lrrrr}
\textbf{ASSETS} & & & & \\
Cash and Bank & 5,181,992 & & & \\
Investments in fixed deposit & 7,000,000 & & & \\
Staff and other advances & 1,563,750 & & & \\
Loan – Youth in Agric & 75,000 & & & \\
\textbf{TOTAL ASSETS} & 13,820,742 & & & \\
\hline
\textbf{LIABILITIES AND NET ACCUMULATED RESULTS} & & & & \\
Creditors (wk6) & 1,707,500 & & & \\
Bond issued & 1,800,000 & & & \\
Net accumulated results & 10,313,242 & & & \\
\textbf{TOTAL LIABILITIES & NET ACCUMULATED RESULTS} & 13,820,742 & & & \\
\end{tabular}

WORKINGS
WK1: INTERNALLY GENERATED FUND (IGF)

\begin{tabular}{lrrrr}
Property rate & 6,898,908 & & & \\
Penalties received & 7,800 & & & \\
Licences & fees & 3,308,592 & & & \\
Basic rates & 1,600,000 & & & \\
Timber Merchant licence fees & 1,400,000 & & & \\
Fines & 928,500 & & & \\
Water rates & 841,350 & & & \\
Market fees & rent & 132,000 & & & \\
Sundry revenue & 5,682,950 & & & \\
Trade earnings & 800,000 & & & \\
\textbf{TOTAL} & 21,600,100 & & & \\
\end{tabular}

WK2: INVESTMENT COSTS

\begin{tabular}{lrrrr}
Construction of education facilities & 5,000,000 & & & \\
Repairs to market facilities & 1,600,000 & & & \\
Parks and recreational costs & 1,480,740 & & & \\
Plants and equipments purchased & 7,000,000 & & & \\
Health and welfare costs & 2,191,260 & & & \\
Repairs and maintenance of schools & 1,500,000 & & & \\
DACF – Direct payment roofing sheets & 875,000 & & & \\
\textbf{TOTAL} & 19,647,000 & & & \\
\end{tabular}
WK3: **PERSONNEL EMOLUMENTS**
Wages & Salaries 382,800

WK4: **GOODS AND SERVICES COSTS**

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration to Assembly Members</td>
<td>7,520,000</td>
</tr>
<tr>
<td>Administration costs</td>
<td>3,010,500</td>
</tr>
<tr>
<td>Sundry expenses</td>
<td>29,640</td>
</tr>
<tr>
<td>Add: Accrued vouchers</td>
<td>750,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11,310,140</strong></td>
</tr>
</tbody>
</table>

WK5: **DACF RECEIPTS**

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance per Treasury Bill</td>
<td>4,000,000</td>
</tr>
<tr>
<td>Add: Direct payment not recorded</td>
<td>875,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,875,000</strong></td>
</tr>
</tbody>
</table>

WK6: **CREDITORS**

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance per Treasury Bill</td>
<td>957,500</td>
</tr>
<tr>
<td>Add: Accrued expenses</td>
<td>750,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,707,500</strong></td>
</tr>
</tbody>
</table>

(b)

i. **Provisional Estimate**
   It is the authority issued by the Minister of Finance for payments to be made in the first quarter of a year when budgets are not approved before the beginning of the year. It is passed on the annual estimate and it is usually a quarter of the annual estimate.

ii. **International competitive Tendering**
   International competitive tendering is used whenever open competitive tendering is used and effective competition cannot be obtained unless foreign firms are invited to tender.
   It requires the following:
   - the invitation to tender and tendering documents are published in English.
   - the invitation to tender is placed in a newspaper with adequate circulation to attract foreign competition.
   - at least six weeks shall be allowed to enable candidates to tender.
   - technical special specification shall conform to national requirement, international standard, standard used widely in international trade.

iii. **General Budgetary Support**
   It is an aid or grant given by a Development partner to government that is not earmarked to specific project or expenditure items. The recipient government can use it to support its expenditure programme as a whole.
SOLUTION 3

(a) 1. Storekeeper, Sstate Officer or Heads of Spending Units raises requisitions by completing the Activity & Expenditure Initiation forms. Heads of MDAs or Directors Finance & Administration approves the requests.

2. Procurement Officer makes request for quotations by inviting bids or collecting Pro-forma Invoice from potential suppliers (at least 3). The relevant current procurement procedures must be used.

3. The Tender Committee reviews the bids and selects a supplier.

4. The Procurement Officer prepares the Purchase Order (PO) and forwards it to the Accountant who ensures that the transaction has been properly charged to the appropriate expenditure account.

5. The Accountant then authorises the purchase and the Head of MDA (Director Finance & Administration, Director General, Chief Director, Deputy Minister or Minister approves the PO. This process commits the transaction against the Budget Allocation (Warrant) of the MDA.

6. For the MDAs on the manual system, the signed PO should be submitted to the Servicing Treasury for final commitment before it is issued to the suppliers.

7. Goods are delivered to the Storekeepers and inspected by a team including the Internal Auditor. The Store Receipt Advice are then prepared and signed.

(b) (i) Appropriation means funds provided annually to MDAs by vote of legislative authority.

(ii) Grants: Funds given to organisations without repayment.

(iii) Revenue Retention: monies collected by MDAs on behalf of government, but kept by MDAs for lawful disbursement.

(c) i. Eliminate payroll fraud such as ghost names.

ii. Ensure database integrity so that personnel information is correct and intact.

iii. Facilitate easy storage, updating and retrieval of personnel records for administrative and pension processes.

iv. Monitor the monthly payment of staff emoluments against what was provided for in the budget.

v. Aid Budgeting – An accurate recurrent expenditure on emolument could be planned and budgeted for on a yearly basis.

vi. Facilitates planning – Having all its civil service records in a centralized database will aid manpower planning as well as assist in providing information for decision making.
SOLUTION 4

(a) (i) The Common Fund under Act 455 of 1993 is defined as “a fund consisting of all monies allocated by parliament and any interest and dividends accruing from investments of monies from the common fund”.

(ii) Functions of the District Assembly Common Fund Administrator
   o Propose a formula annually for the distribution of the common fund for approval by parliament.
   o To administer and distribute monies paid into the common fund among the district Assemblies in accordance with the formula approved by Parliament.
   o To report in writing to the minister of Finance on how allocations made from the funds have been utilized by the District Assemblies.
   o To perform any other functions that may be directed by the President.

(b) (i) Present salaries/allowances (adequacy)
   (ii) Expected increase (whether all costs are captured)
   (iii) Budget variation (whether there will be large commitments year by year)
   (iv) Government Policy (whether there are alternative choices, and proposals do not conflict with government objectives)
   (v) Past/Future operational performance of the organisation
   (vi) Relevance of proposals to national growth.
   (vii) Possible budget outcomes (effect of proposals on other government service quality and delivery)
   (iv) Whether there is certainty or uncertainty about budget outcomes.

(c) (i) An MDA needs to structure its operations in accordance with the cashflow potential of the organisation.
   (ii) Cash management is important to mitigate or forestall the risks involved in achieving the objectives of an MDA.
   (iii) Cash management allows an MDA to create a cost efficient mechanism of monitoring financial inputs and outputs such as fresh capital, interest, cost etc.
   (iv) Cash management leads to timely and successful delivery of the services of an organisation.
   (v) Timely delivery of services leads to public confidence and customer satisfaction.
SOLUTION 5

(a)  

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Established post</td>
<td>54,280</td>
<td>13,570</td>
<td>14,475</td>
<td>(905)</td>
</tr>
<tr>
<td>Non established post</td>
<td>13,416</td>
<td>3,354</td>
<td>3,534</td>
<td>(180)</td>
</tr>
<tr>
<td>Overtime allowance</td>
<td>2,088</td>
<td>500</td>
<td>294</td>
<td>228</td>
</tr>
<tr>
<td>Electricity expenses</td>
<td>480</td>
<td>120</td>
<td>249</td>
<td>(129)</td>
</tr>
<tr>
<td>Water charges</td>
<td>480</td>
<td>120</td>
<td>159</td>
<td>(39)</td>
</tr>
<tr>
<td>Telecommunication</td>
<td>1,386</td>
<td>346.50</td>
<td>957</td>
<td>(610.50)</td>
</tr>
<tr>
<td>Postal charges</td>
<td>100</td>
<td>25</td>
<td>39</td>
<td>(14)</td>
</tr>
<tr>
<td>Stationery</td>
<td>8,076</td>
<td>2,019</td>
<td>2,262</td>
<td>(243)</td>
</tr>
<tr>
<td>Travel allowance</td>
<td>3,088</td>
<td>772</td>
<td>984</td>
<td>(212)</td>
</tr>
<tr>
<td>Running cost of official vehicle</td>
<td>34,500</td>
<td>8,625</td>
<td>9,285</td>
<td>(660)</td>
</tr>
<tr>
<td>Maintenance of official vehicles</td>
<td>29,400</td>
<td>7,350</td>
<td>9,822</td>
<td>(2,475)</td>
</tr>
<tr>
<td>Car rental</td>
<td>936</td>
<td>234</td>
<td>453</td>
<td>(219)</td>
</tr>
<tr>
<td>Maintenance of equipment</td>
<td>12,000</td>
<td>3,000</td>
<td>5,175</td>
<td>(2,175)</td>
</tr>
<tr>
<td>Insurance</td>
<td>276</td>
<td>69</td>
<td>57</td>
<td>12</td>
</tr>
<tr>
<td>Bank charges</td>
<td>144</td>
<td>36</td>
<td>39</td>
<td>(3.00)</td>
</tr>
<tr>
<td>Training &amp; conference cost</td>
<td>70,000</td>
<td>17,500</td>
<td>11,376</td>
<td>6,124</td>
</tr>
<tr>
<td>New building</td>
<td>120,000</td>
<td>30,000</td>
<td>25,000</td>
<td>5,000</td>
</tr>
<tr>
<td><strong>Total Variance</strong></td>
<td><strong>14,475</strong></td>
<td><strong>3,534</strong></td>
<td><strong>294</strong></td>
<td><strong>(610.50)</strong></td>
</tr>
</tbody>
</table>

(b)  

**Formula**  

\[
\text{Price Variance} = (\text{Budget Price} - \text{Actual Price}) \times \text{Actual Units Used} \\
= (\text{GHC1.00} - \text{GHC1.70}) \times 100 \text{ units} \\
= \text{GHC70.00}
\]

(c)  

**Quantity Variance**  

\[
= (\text{Budget Units} - \text{Actual Units}) \times \text{Budgeted Price} \\
= (125 - 111.25) \\
= 11 \text{ litres}
\]

(d)  

Reasons for large variance in telephone Charges.

(i)  

It may be due to high price increases than the Budget Price

(ii)  

It may be due to high usage of Telephone units with corresponding price increases than the budgeted figures.

(iii)  

It may also be due to wrong bill which was paid without cross checking with Telephone Operators.