



Public Financial Management

Practice and Revision Kit



Certified Public Accountants Course

CPA (U)

PUBLIC FINANCIAL MANAGEMENT (P13)

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The Practice and Revision Kit complements the Study Test by giving you the chance to practice exam-style questions covering the Public Financial Management Syllabus. The practice and revision kit has been reviewed and approved by a panel of experts in the field of teaching Public Financial Management. Therefore, this study text contains all the information that you need to pass your exam.

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Questions

TEST PAPER 1

CPA (U) NOVEMBER 2017

Question 1

- (a) The Head of Finance of Kyengera Municipal Council has prepared the following trial balance as at 30 June, 2016:

Code	Details	Shs '000'	Shs '000'
111106	Local service tax		16,720
113101	Land fees		86,030
114505	Business licenses		182,139
114506	Liquor licenses		39,336
114508	Other licenses		92,133
133104	LG unconditional grants		1,256,444
133342	Compensation for graduated tax		816,068
133327	Conditional transfers for PAF monitoring		1,008,573
133326	Conditional transfers for LGDP		197,603
133105	LG equalisation grants		2,350,038
142214	Market charges		100,000
010100	Administration	1,159,762	
020100	Finance	780,105	
030100	Statutory bodies	489,727	
040100	Production	800,310	
050100	Health	255,485	
060100	Education	5,750	
070100	Works	3,000,759	
080100	Natural resources	21,600	
090100	Community-based services	263,243	
100100	Planning unit	48,800	
110100	Internal audit	73,398	
263208	Transfers to treasury	97,000	
415006	Retention on road works		838,195
314201	Petroleum products	81,300	
312000	Property plant & equipment - cost	10,913,621	
428000	Accumulated depreciation 30 June, 2015		3,070,869
321602	Trade receivables	278,657	
321501	Administrative advances	20,000	
321102	Revenue accounts	65,000	
321103	Expenditure accounts	39,122	
321104	Project accounts	13,000	
415005	Withholding tax payable		41,265
511201	Revenue reserves		468,473
512101	Capital reserves	-	7,842,753
	Total	<u>18,406,639</u>	<u>18,406,639</u>

Additional information:

1. Market fees amounting to Shs 115 million remained outstanding at the end of the year.
2. A physical stock count carried out by the board of survey at the end of the year showed unconsumed supplies valued at Shs 27 million that had been procured for use by the finance department.
3. Council, in consultation with the Auditor General, authorised the writing off of land fees due amounting to Shs 20 million.
4. The board of survey report indicated a cash surplus of Shs 1.6 million from one of the project accounts.
5. An advance of Shs 6 million was given to Mr. Kintu (municipal engineer) to buy culverts for force account operations. However, he died in a road accident before accounting for the funds, and it was confirmed that the work was not yet done. By the end of the year, Council had passed a resolution to write off the advance.
6. At the beginning of the financial year, Council received a grader as a grant from the Ministry of Local Government. It was ascertained that the price of a similar grader on the market was Shs 700 million.
7. On 5 January, 2016 Council purchased furniture at Shs 10 million for the Chief Administrative Officer's office and paid the supplier by electronic funds transfer (EFT). The furniture was financed internally from Council's revenue reserves.
8. It is Council's policy to depreciate all its property, plant & equipment at 10% using the reducing balance method.
9. All depreciation costs for the year are allocated to the finance department.
10. The capital reserves account is amortised annually to the statement of financial performance with an amount equal to the annual depreciation charge for the year.
11. Council prepares its financial statements on accrual basis as required by the Local Government Financial and Accounting Manual, 2007.

Required:

Prepare for Kyengera Municipal Council for the year ended 30 June, 2016 a statement of:

- (i) financial performance. **(12 marks)**
 - (ii) financial position as at 30 June, 2016. **(13 marks)**
- (b) The Head of Finance of Buyiisa District Local Government has organised a one-day workshop for all accounts and finance staff in the district. The workshop is expected to be attended by about 30 staff from sub-counties, town councils and health units within the district. The focus of the workshop is to train staff on the main books of account maintained by

local governments in order to strengthen public financial management and accountability. This followed the recent audit conducted by the Office of the Auditor General indicating accountability and financial reporting problems by different administrative units within the district. You are the senior accountant of the district and will be the key facilitator/ presenter for the day.

Required:

Write an illustrative report suitable for distribution to all staff attending the workshop in which you discuss the following elements:

- (i) Preparation of abstracts and their linkage to the ledgers.
(10 marks)
- (ii) Recording of grants from central government and other government units.
(5 marks)
- (c) You are the accountant in Ministry of Works and Transport. You have been asked to prepare a set of notes for a colleague who is new in the accounts department of the ministry, having previously worked only in the private sector.

Required:

Prepare a briefing note in which you discuss:

- (i) 'fund accounting' and 'budgetary accounting' and their applicability to financial reporting in Uganda.
- (ii) the specific initiatives being undertaken by government to improve budget implementation, monitoring and reporting.

(10 marks)

(Total 50 marks)

Question 2

- (a) The Public Procurement and Disposal of Public Assets (PPDA) Act, 2003 as amended, requires a procuring and disposing entity not to enter into a contract until the accounting officer confirms, in writing, that the required funds have been committed for the proposed contract.

Required:

With reference to the PPDA Act, 2003 and PPDA regulations, 2014:

- (i) Examine the relevance of a signed contract to the parties. **(5 marks)**
- (ii) Discuss the factors that may determine the choice of contract for a procurement and disposal unit. **(5 marks)**
- (b) A Procurement and disposal unit may, in accordance with regulations made under the PPDA Act, 2003 as amended Sec 95A, undertake the works using the force account mechanism.

Required:

- (i) Examine the meaning of 'force account mechanism'. **(2 marks)**
- (ii) Advise on the responsibility of the supervisor under force account. **(5 marks)**
- (iii) Discuss how a procuring and disposing entity may procure consultancy services.

(8 marks)

(Total 25 marks)

Question 3

- (a) "The magnitude of financial impropriety unearthed in various Government Agencies in 2012 were alarming.... and as a result, it has been necessary for review and strengthening of controls in public financial management and accountability systems." (Keith Muhakanizi, 2014 National Consultative Budget conference FY2014/ 2015).

Required:

Discuss the major reforms the government of Uganda is undertaking to improve wage bill and payroll management.

(10 marks)

- (b) The Government of Uganda in the financial year 2013/ 14 introduced the concept of the treasury single account (TSA) in line with international best practice for public financial management.

Required:

Discuss the objectives of the TSA.

(2 marks)

- (c) In order to improve the formulation of the national budget, the Government of Uganda has been upgrading the output budgeting tool (OBT) to enhance its functionality and coverage. However, of recent, there are attempts to shift to programme-based budgeting (PBB) approach.

Required:

Assess the likely benefits and challenges of implementing the PBB approach.

(13 marks)

(Total 25 marks)

Question 4

- (a) Discuss the disclosure requirements of International Public Sector Accounting Standard (IPSAS) 19: Provisions, Contingent Liabilities and Contingent Assets.

(6 marks)

- (b) After a function in April 2015, two people were seriously incapacitated, believably as a result of electric shock from faulty electric wiring around the conference hall of the Ministry of Tourism. Legal proceedings are ongoing seeking compensation from the ministry, but it (ministry) denies liability. Up to the date of authorisation of the financial statements for the year ended 30 June, 2015 for issue, the ministry's lawyers advised that it was probable that the ministry would not be found liable. However, when the ministry prepared the financial statements for the year to 30 June, 2016 its lawyers advised that, owing to developments in the case, it had become probable that the ministry would be found liable.

Required:

Analyse and advise the ministry on the contingent liability for the two financial years ending 30 June, 2015 and 30 June, 2016.

(4 marks)

- (c) Three years ago, the administration department in the Ministry of Agriculture purchased a new desktop computer at a cost of Shs 4.8 million. The department estimated that the useful life of the computer would be 4 years and that it would use 80% of its central processing capacity. Within a few months after acquisition, the computer reached its targeted usage of 80% but during the current year usage declined to 20%. The decline is attributed to the introduction of modern laptop computers which have larger processing capacity and therefore the department no longer requires the use of the desktop computer. A similar computer is available

on the market at a price of Shs 900,000 that can provide the remaining service potential of the desktop computer.

Required:

Determine, for the ministry, the impairment loss on the desktop computer.
(4 marks)

- (d) In accordance with International Public Sector Accounting Standard (IPSAS) 6: Consolidated and Separate Financial Statements, an entity combines the financial statements of the controlling entity and its controlled entities line by line by accumulating together like items of assets, liabilities, net assets/ equity, revenue and expenses.

Required:

- (i) Advise on the steps an entity should follow to ensure that the consolidated financial statements present financial information about an economic entity as that of a single entity.
(6 marks)
- (ii) Discuss the disclosures required in consolidated financial statements in accordance with the relevant IPSAS.

(5 marks)

(Total 25 marks)

Question 5

- (a) The budget of Government is a statement of the revenues the Government expects to collect in a financial year, and how it plans to spend those revenues. The national budget is guided by the Poverty Eradication Action Plan (PEAP) Uganda's national development framework and medium-term planning tool since 1997. The PEAP was revised and independently evaluated in June 2008 and replaced by the National Development Plan (NDP). The NDP is a comprehensive plan that articulates clearly the planned strategic interventions of all sectors of the economy. In the planning framework, the NDP is implemented in order to realise the Vision of 2040.

Required:

In accordance with the Budget Act, 2001 discuss the functions of the parliamentary budget office in the national budgeting process in Uganda.

(4 marks)

- (b) The key objective of commitment control is to manage the initial incurrence of obligations, rather than the subsequent cash payments, in order to enforce expenditure ceilings and avoid expenditure arrears.

Required:

Evaluate the preconditions for successful implementation of commitment controls.

(6 marks)

- (c) Medium-term Expenditure Frameworks (MTEFs) are receiving renewed attention in the context of the formulation of Poverty Reduction Strategy Papers (PRSPs). Conceptually, MTEFs are the ideal tool for translating PRSPs into public expenditure programmes within a coherent multi-year macroeconomic and fiscal framework. You have been selected to provide technical support in budgeting to a newly created Mutande District Local Government and enable it come up with draft annual revenue and expenditure estimates within the stipulated timeframe.

Required:

Write a report to the District Accounting Officer highlighting the relevance of each of the following in budgeting:

- (i) Medium-term Expenditure Framework (MTEF).
- (ii) Cash limit and accounting warrant.
- (iii) Local Government Council.
- (iv) Virements and Reallocations.

(15 marks)

(Total 25 marks)

TEST PAPER 2

CPA (U) JUNE 2018

Question 1

- (a) The Uganda Public Finance Management Act, 2015 requires that the national budget and work plans for public organisations are approved by Parliament by 31 May every year and budget execution commences on 1 July. Business organisations, on the other hand, are not required to comply with the provisions of the Act.

Required:

- (i) Contrast financial management in public and business organisations. **(5 marks)**
- (ii) Discuss the following as provided for in the Public Finance Management Act, 2015:
- Powers of the Secretary to the treasury. **(4 marks)**
 - Responsibilities of the Accountant General. **(5 marks)**
 - Delegation of a function or responsibility by an accounting officer. **(3 marks)**
- (b) Mosada district has been experiencing rising cases of a rare condition for the last three years which has led to the death of several youths. The cost of treatment of this condition is very high in Uganda. The Council discussed the issue of purchasing the drugs from abroad during the debate of the budget of the financial year 2016/2017. During the debate, the Council authorised the Chief Administrative Officer (CAO) to acquire a manufacturing company abroad in order to minimise the cost of treatment.
- The CAO paid Shs 500 million to acquire 75% of shares in Lo Ping, a Kwairian drug manufacturing company on 1 July, 2016 when its accumulated surplus was kwahas 134,000. However, the Council disposed of its shares in Lo Ping on 31 March, 2017 after the Kwairian government enacted a law which prevents foreign ownership of its companies. The company was disposed of at Shs 650 million. Though the account for the money received was opened, the transaction was never recognised.
- The balance on the accumulated surplus of Lo Ping at the beginning of the financial year was kwahas 134,000.
- The statements of the financial position of the district and the company as at 30 June, 2017 are as follows:

	Masonda District Shs '000'	Lo Pig Kwasas
Assets:		
Current assets:		
Cash & cash equivalents	760,000	25,000
Receivables	560,490	40,000
Inventory	620,888	23,000
Prepayments	<u>356,800</u>	<u>30,000</u>
Total current assets	<u>2,298,178</u>	<u>118,000</u>
Non-current assets:		
Receivables	567,400	10,000
Investment Lo ping	500,000	-
Infrastructure, plant and equipment	453,100	150,000
Land and buildings	<u>6,650,000</u>	<u>210,000</u>
Total non-current assets	<u>8,170,500</u>	<u>370,000</u>
Total assets	<u>10,468,678</u>	<u>488,000</u>
Liabilities:		
Current liabilities:		
Payables	4,050,000	18,000
Employee benefits	<u>810,000</u>	<u>-</u>
Total current liabilities	<u>4,860,000</u>	<u>18,000</u>
Non-current liabilities:		
Payables	24,570	33,000
Long-term borrowing	<u>457,000</u>	<u>200,000</u>
Total current liabilities	<u>481,570</u>	<u>233,000</u>
Total liabilities	<u>5,341,570</u>	<u>251,000</u>
Net assets/ equity		
Accumulated surplus	5,127,108	137,000
Share capital	<u>-</u>	<u>100,000</u>
Total net assets/ equity	<u>5,127,108</u>	<u>237,000</u>
Total net assets/ equity & liabilities	<u>10,468,678</u>	<u>488,000</u>

Additional information:

1. The district complies with the provisions of the International Public Sector Accounting Standards (IPSAS).
2. The district received 20,000 doses of drugs for the treatment of the rare condition from UNICEF on 1 October, 2016 and immediately distributed them to the health centres. Each dose was valued at USD 3. The council did not recognise the drugs in its books of account.
3. The closing balance on the employee benefit account reported by the district was actually the opening balance. You have established that the

- correct closing balance is Shs 500 million. The balance on the employee benefit account relates to outstanding wages of employees.
4. The district received 5 graders at a cost of USD 400,000 from the Federal Republic of Aruantan as a 2% loan for road maintenance on 1 August, 2016. The district is required to start repaying the loan in 5 years' time. The district paid the interest up to the end of the financial year. The policy of the district is to depreciate graders at 20% per annum on a reducing balance basis. These transactions have not been recorded in the district's books of account.
 5. The closing balance on the current receivables reported by the district in its final accounts was actually its opening balance. You have established that the correct closing balance is Shs 200 million. Current receivables relate to outstanding taxes.
 6. The district Senior Accountant prepared its statement of financial performance based on revenue receipts and payments.
 7. The district budget for the financial year ended 30 June, 2017 was as follows:

Revenue:	Shs '000'
Taxes	8,000,000
Fees, fines, penalties & licenses	4,590,000
Revenue from exchange transactions	2,400,840
Transfers from other Government entities	16,000,000
Other revenue	<u>4,507,000</u>
Total revenue	<u>35,497,840</u>
Expenses:	
Wages, salaries & employment benefits	13,565,000
Grants transfer and other payments	19,500,000
Supplies consumed	450,000
Depreciation expenses	820,000
Other expenses	78,000
Finance cost	<u>1,084,840</u>
Total expenses	<u>35,497,840</u>

8. The district's cash receipts and payments during the financial year were as follows:

Revenue collected	Shs '000'
Taxes	7,800,000
Fees, fines, penalties & licenses	5,000,000
Revenue from exchange transactions	2,300,000
Transfers from other Government entities	14,500,000
Other revenue	3,700,000
Expenses paid:	
Acquisition of Lo Ping	500,000
Wages, salaries & employment benefits	12,098,730
Grants transfer & other payments	17,300,000
Supplies consumed	400,000
Depreciation expenses	897,400
Other expenses	674,000
Finance cost	1,400,000

9. Lo Ping's statement of financial performance for the financial year ended 30 June, 2017 was as follows:

	Kwasas
Revenue from exchange transactions	750,000
Other revenue	<u>340,000</u>
Total revenue	<u>1,090,000</u>
Expenses:	
Wages, salaries & employment benefits	700,000
Supplies consumed	250,000
Depreciation expenses	75,000
Other expenses	35,000
Finance cost	<u>27,000</u>
Total expenses	<u>1,087,000</u>
Surplus/ deficit	<u>3,000</u>

10. The exchange rates are as follows:

Date	1 USD to Shs	1 Kwasa to Shs
1 July, 2016	3,000	250
1 August, 2016	3,020	300
1 October, 2016	3,700	330
1 March, 2017	3,500	295
30 June, 2017	3,400	297
Average rate	3,520	295

Required:

- (i) Prepare a consolidated statement of financial performance of the district for the year ended 30 June, 2017 in accordance with IPSAS 24: Presentation of Budget Information in Financial Statements. **(23 marks)**
- (ii) Prepare a consolidated statement of financial position of the district as at 30 June, 2017. **(10 marks)**
- (Total 50 marks)**

Question 2

- (a) Kiira Public University is constructing a building expected to take 24 months to complete. The University began construction on 1 January, 2017 with the following payments made during the year:

	Shs 'million'
31 January	400
31 March	900
July	200
30 September	400
30 November	500

The following borrowings were outstanding at the reporting date 31 December, 2017:

	Shs 'million'
Bank loan (description below)	1,600
15% debenture dated 1 January, 2016 repayable 2019	400
10% 8-year note dated 1 September, 2012, with simple interest payable annually on 31 December	2,400

The first payment on 31 January was funded from the University's existing borrowings. However, the University succeeded in raising a bank loan for an amount of Shs 1,600 million on 31 March, 2017 at a simple interest of 8% per annum, calculated and payable monthly in arrears. These funds were specifically used for this construction. Excess funds were temporarily invested at 5% per annum receivable monthly in arrears, in cash. The pool of borrowings was again used for a Shs 400 million payment on 30 November, which could not be funded from the bank loan. Construction of the building was temporarily halted for two weeks in June, when substantial administrative and technical work was carried out.

Required:

- (i) Determine the borrowing costs which can be capitalised in respect of the building referred to above for the year ended 31 December, 2017.
(9 marks)
- (ii) Discuss the recognition, commencement, and cessation of capitalisation of borrowing costs according to IPSAS 5: Borrowing Costs.
(6 marks)
- (b) IPSAS 28: Financial Instruments: Presentation sets out the principles for presenting financial instruments as liabilities or net assets and for offsetting financial assets and financial liabilities.

Required:

- (i) Discuss the difference between a 'financial asset' and a 'financial liability'.
(6 marks)
- (ii) Explain a 'puttable instrument', and discuss the circumstances under which a financial asset and a financial liability shall be offset.

(4 marks)

(Total 25 marks)

Question 3

- (a) The following statement of the financial position is for the Ministry of Health as at 30 June, 2017.

Assets:	Shs '000'
Current assets:	
Cash	525,000
Receivables	76,407
Inventory	<u>8,500,000</u>
Total current assets	<u>9,101,407</u>
Non-current assets:	
Bearer biological assets:	
Dairy livestock-immature	50,000
Dairy livestock-mature	<u>200,000</u>
	250,000
Properly, plant and equipment	<u>25,000,000</u>
Total non-current assets	<u>25,250,000</u>
Total assets	<u>34,351,407</u>
Liabilities:	
Current liabilities:	
Payables	<u>120,000</u>
Total current liabilities	<u>120,000</u>
Non-current liabilities:	
Loan	<u>20,000,000</u>
Total non-current liabilities	<u>20,000,000</u>
Total liabilities	<u>20,120,000</u>
Net assets/ equity:	
Accumulated surplus	<u>14,231,407</u>
Total net assets/ equity	<u>14,231,407</u>
Total net assets/ equity & liabilities	<u>34,351,407</u>

Additional information:

1. The Ministry manufactures a drug for treating the ZIKIV virus for sale to the pharmacies in the country on a commercial basis. On 1 July, 2016 there were 5 million tablets of this drug which were valued at Shs 2.5 billion. The Ministry borrowed Shs 20 billion at an interest rate of 5% from Geode Commercial Bank specifically to manufacture the drug. The loan was wholly used for the manufacture of the drug during the financial year. The Ministry did not use any other source of funds for manufacturing the drug. Each tablet of the drug was manufactured at Shs 500. The manufacturing system is so efficient that no loss of materials was

registered. The interest charge for the year was paid and expensed. For purposes of valuation of drugs, the ministry uses the first in first out (FIFO) method.

2. The Ministry received 3,000,000 doses of a special drug on 1 July, 2016 from UNICEF for free distribution to the public. UNICEF, however, did not provide the cost details of the drug to the Ministry. By close of the financial year, a third of the drug had had not been distributed. The Ministry has not recognised the drug in its books of account due to the fact that UNICEF did not provide values. The price of the drug in market, per dose, on the following dates was as follows.

Date	Shs
1 July, 2016	5,000
30 June, 2017	4,900

3. Included in the inventories at 30 June, 2017 is Shs 5 billion attributed to drugs for HIV which are distributed free of charge. Each tablet of the drug cost the Ministry Shs 5,000. By the end of the financial year, each tablet cost Shs 4,950 in the market.
4. The Ministry owns a dairy farm which produces and sells 90,000 liters of milk per quarter. At the end of the financial year, the Ministry had not sold 2,000 litres of milk which was produced on 30 June, 2017. The average selling price and cost of selling milk were Shs 1,000 and Shs 200 per litre respectively during the financial year. On 30 June, 2017 the selling price and cost of selling milk were Shs 1,200 and Shs 230 per litre respectively. The Ministry only recognises revenue from the sale of milk in its books of account. The cost of selling milk includes tax of Shs 80 per litre which is charged by local tax authorities.
5. By the beginning of the financial year, the farm had 100 Friesian cows. The farm also had 100 one-month-old calves. All the calves and cows were alive by the end of the financial year. The per-unit fair values less costs to sell were as follows:

	1 July, 2016	30 June, 2017
	Shs	Shs
Mature bearer cows	2,000,000	2,500,000
One-month-old calves	500,000	600,000
One year and one month old calves	1,000,000	1,500,000

The Principal Accountant of the Ministry did not adjust the values of the cows and calves which he maintained at the value of 1 July, 2016.

6. The Ministry policy is to prepare its financial statements using accrual basis of accounting in accordance with the IPSAS.

Required:

Redraft the Ministry's statement of financial position as at 30 June, 2017 taking into account the transactions mentioned above.

(20 marks)

- (b) Describe the term 'segment reporting, as applied under IPSAS 22: Disclosure of Financial Information about the General Government Sector.

(5 marks)

(Total 25 marks)

Question 4

The National Data Management Agency, a Government owned organisation has a procurement and disposal unit under the department of finance and administration. Most employees in each department raise requisitions to procure goods and services in piecemeal as and when the need arises. The method of procurement usually used by this Agency is direct procurement irrespective of the procurement value, and most staff are unbothered about value for money as demonstrated by hardly any price comparison since no more than one quotation is obtained. This was one of the issues raised by Auditor General in the recent audit particularly raising a red flag on lack of proper procurement planning and non-compliance to the Public Procurement and Disposal of Public Assets Act (PPDA) Act, 2003. Other issues raised included incidences where employees in the Agency have freely and directly participated as bidders. The Agency employees have also been involved in direct negotiations with contractors on prices.

Required:

With reference to the PPDA Act, 2003 and the PPDA Regulations, 2014:

- (a) Discuss the main considerations in planning procurement requirements by a procuring and disposing entity. **(10 marks)**
- (b) Explain the conditions for use of 'sale to public officers' as a method for disposal of a public asset. **(4 marks)**
- (c) Discuss the powers of the user department in exercising its functions in the public procurement and disposal process. **(5 marks)**
- (d) Describe the circumstances under which a procurement and disposal entity (PDE) is permitted to have price negotiations with a contractor in case the best evaluated bid or proposal exceeds the budget of the PDE. **(2 marks)**
- (e) Discuss the circumstances under which the direct procurement method can be used. **(4 marks)**
- (Total 25 marks)**

Question 5

- (a) Government of Uganda (GoU) recently introduced the e-cash platform as an alternative payment system to the Integrated Financial Management System (IFMS). You are the Finance Manager of the Uganda Road Maintenance Authority. Following a one-day workshop you attended at the Ministry of Finance about the e-cash platform solution, you have been asked by your supervisor to train accounts and finance staff in all upcountry stations about this new payments system.

Required:

Prepare a set of notes to be used in the training, discussing the following aspects:

- (i) Meaning and objectives of the e-cash platform.
- (ii) Transactions to be covered under the e-cash payment system.
- (iii) The process of handling e-cash transactions.

(15 marks)

- (b) The objective of the Government, when setting fiscal objectives within the macroeconomic framework, shall be to ensure macroeconomic stability and economic growth having regard to the National Development Plan. The fiscal objectives shall be based on certain principles.

(Source: The Public Finance Management Act, 2015).

Required:

Discuss any **four** principles Government should follow in setting fiscal objectives within the macroeconomic framework.

(8 marks)

- (c) Tyrad District Local Government has been handling cases of property of the deceased persons in a bid to reduce conflicts in the communities. Slandriate (the transferor), a 19 year old citizen is an orphan who wants to fly to America. His aunt lives there and has invited him for a job. He has made a will and named Tyrad District Local Government as a primary beneficiary since he trusts no one in his parental lineage. He has entrusted a 2 star hotel worth Shs 800 million to the district.

Required:

Describe the accounting treatment of the 2 star hotel in the books of the district local government guided by IPSAS 23 (Revenue from Non-Exchange Transactions (Taxes & Transfers)).

(2 marks)

(Total 25 marks)

TEST PAPER 3

CPA (U) AUGUST 2018

Question 1

- (a) The Uganda Electricity Generation Authority (the Authority) is a government entity which was established with the primary purpose of generating power for use in Uganda and for sale to neighbouring countries.

The following trial balance was prepared by the Authority as at 31 December, 2016.

	Shs 'million'	Shs 'million'
Leasehold property at valuation 31 December, 2015	1,120	
Land	200,130	
Power stations	900,056	
Office plant & equipment	3,544	
Prepaid operating lease rentals (50 years lease term)	2,100	
Accumulated depreciation/ amortisation		
Power stations		394,528
Office plant & equipment		1,261
Operating lease rentals		956
Work in progress (Karima & Isika projects)	51,000	
Cash & cash equivalents	20,521	
Inventories at year end	500	
Receivables from exchange transactions	20	
Non-current receivables from non-exchange transactions	800	
Long-term borrowings		32,000
Capital contribution from the Government of Uganda		300,000
Revaluation reserve (power stations)		9,000
Accumulated surplus/ (deficit) 31 December, 2015		96,220
Transfers from other government entities		350,000
Fees, taxes and fines		18,576
Other operating revenue		973
Wages, salaries & employee benefits	5,632	
Supplies and consumables used	17,891	
Finance costs	200	-
	<u>1,203,514</u>	<u>1,203,514</u>

Additional information:

1. The Authority prepares its financial statements on accrual basis in accordance with the International Public Sector Accounting Standards (IPSASs).
2. During the year, the Authority incurred land acquisition costs amounting to Shs 560 million for Kabwoko Hydro Power Project in respect of compensations to Project Affected Persons (PAPs). Although valuation had been completed by the end of the year, none of the PAPs had been paid.
3. Costs amounting to Shs 870 million were incurred on on-going projects of Karima and Isika Hydro Power Projects. The costs incurred to date mainly consist of civil works, staff costs and project management consultations. No entries have been made in the books of account in relation to these costs despite payments being made to the service providers.
4. During the year, the Authority entered into two binding arrangements with the following companies as detailed below:

Eskon Uganda Limited

On 3 January, 2016 the Authority entered into a binding arrangement with Eskon Uganda Limited (Eskon), a private company. The agreement required Eskon to operate Authority's two hydropower dams of Kiila and Nakabaale power stations for a period of 25 years. By this date, the Authority had incurred total costs on these two dams amounting to Shs 324 billion and accumulated depreciation amounting to Shs 121 billion. The agreement also required the Authority to control and regulate the services Eskon must provide with the two power stations, to whom it must provide them, and the price to be charged.

During the year, Eskon also did some major upgrades to the two power stations amounting to Shs 3.4 billion. The Authority has guaranteed to pay Eskon 30% of the costs incurred in the following year and the balance after two years.

Kingfisher Limited

On 5 February 2016, the Authority entered into another agreement with Kingfisher Limited (Kingfisher), a private company for a period of 30 years. The agreement required Kingfisher to construct a mini hydro power plant in Zombo district. The company completed the construction of the plant by 31 June, 2016 at a cost of Shs 130 billion. The agreement requires Kingfisher to earn revenue each year from the users of the dam not exceeding 10% of the invested amount which is still outstanding. All the revenue due for 2016 was received by the company.

5. The installed capacity of the power complex (Nakabale and Kiila) is 380 megawatts (MW). However, the average capacity generated during the year was about 140 MW. This is an indicator of impairment, and as such the Authority performed an impairment assessment resulting into an impairment of Shs 7 billion. However, the impairment loss has not been accounted for in the Authority's books of account.
6. The 15-year leasehold property was acquired on 1 January, 2015 at a cost of Shs 300 million. The company policy is to revalue the property at market value at each year end. The valuation in the trial balance of Shs 1.12 billion as at 31 December, 2015 led to an impairment charge of Shs 29 million which was reported in the income statement of the previous year. At 31 December, 2016 the property was valued at Shs 2.4 billion.
7. The Authority's policy is not to charge any depreciation in the year of acquisition of the asset. Power stations are depreciated at 3% on a straight line basis, office plant & equipment are depreciated at 10% per annum on a reducing balance basis.

Required

Prepare, for Uganda Electricity Generation Authority for the year ended 31 December, 2016 a statement of:

- (i) financial performance. **(10 marks)**
 - (ii) financial position as at 31 December. **(18 marks)**
- (b) You are provided with the following transactions relating to different public sector entities in Uganda for the year ended 30 June, 2016. All these entities follow the accounting and reporting framework prescribed by the Accountant General.
1. On 13 August, 2015 a Kampala City Traffic Control Project (KCTCP) submitted a United States dollars (USD) 30,000 Withdrawal Application to World Bank (International Development Association (IDA), to be settled directly to a contractor named KK Consulting Engineers Ltd (KK) for consultancy services. The funds were transferred to the contractor on 30 August, 2015. IDA advised the project coordinator through a payment advice with a value date of 30 August, 2015 accordingly.
 2. Richmond University admitted a student named Kakooza to undertake a course in finance. The fees were Shs 2 million per semester payable at the commencement of the course. The 1st semester of the course commenced on 1 February, 2016. Kakooza paid the full fees on 20 May, 2016.

3. An agreement for a two-year project between SIDA (donor) and Rural Electrification Project required the community to contribute 10% of the agreement value of Shs 500 million for provision of rural electricity. This was to be provided in kind through communal labour by helping in carrying and fixing electric poles. The project commenced on 1 July, 2015 and was to end after two years on 31 May, 2017. The donor disbursed their contribution Shs 450 million on 31 August, 2015. No criteria were provided for the valuation of community contribution in the course of the project implementation.
4. During the month of June, 2016 the gross salaries payable to the public officers under the Ministry of Tourism totaled Shs 99,495,450 made up of the following:

	Shs
Net salary	73,680,450
Pay as you earn	15,300,000
Employee social security contributions	3,015,000
Employee medical insurance contributions	2,500,000
Other employee contributions	5,000,000

As the employer, Government contribution towards social security and medical insurance was Shs 5,025,000 and Shs 2,500,000 respectively. The salaries are settled through the Single Treasury sub-accounts. Assume the payrolls were forwarded and received in the Treasury on 25th of the month and that the relevant payment instructions were sent to Bank of Uganda on 27 June.

Required:

For each of the above transactions, show all the necessary ledger entries, including narratives, as at 30 June, 2016.

(15 marks)

- (c) The Government of Uganda Financial Reporting Templates have been designed to ensure that reporting from ministries, departments and agencies (MDAs) and local governments comply with the Government reporting requirements and International Public Sector Accounting Standards (IPSASs).

Required:

Discuss the following statements of the Financial Reporting Templates, giving a description of the key features of each statement.

- (i) Statement of appropriation account by services voted.
- (ii) Statement of appropriation account by nature of expenditure.
- (iii) Statement of reconciling total expenditure as per performance and appropriation.
- (iv) Statement of outstanding commitments.

(7 marks)

(Total 50 marks)

Question 2

- (a) Procurement Planning is a process of determining the procurement needs of an entity and the timing of their acquisition and their funding such that the entity's operations are met as required in an efficient way.

Kalumpi District Local Council has allocated local revenue Shs 380 million raised from leasing its market to purchase furniture, stationery, land and a pickup truck for its administration department. The budgetary allocation to the items is to be in the ratio 1:3:4:5 respectively, and the user department has advised that furniture and stationery shall be required in the first quarter while land and a pickup in the third quarter of the financial year ending 30 June, 2019.

Required:

Draft a procurement plan for Kalumpi District Administration Department.

(6marks)

- (b) Discuss the stakeholders in procurement planning and their responsibilities in local governments in Uganda.

(10 marks)

- (c) In accordance to Public Procurement and Disposal of Public Assets Act, 2003 evaluate the circumstances under which a procuring and disposing entity may:

- (i) reject the bidding documents of a prospective bidder. **(5 marks)**
- (ii) negotiate with the contractor, in respect of a proposal by the contractor.

(4 marks)

(Total 25 marks)

Question 3

- (a) Over the years, the Government of Uganda has undertaken many finance and payroll reforms including the implementation of Integrated Finance Management System (IFMS), Integrated Payroll and Pension System (IPPS), Fixed Assets and Inventory Management System (FAIMS), Human Resources Information Management System (HMIS), Debt Management and Financial Accounting System (DMFAS), among others.

Required:

- (i) Assess the benefits of IFMS implementation to Government in financial management.

(5 marks)

- (ii) Discuss any **five** modules in IFMS clearly explaining the roles under each module.

(10 marks)

- (b) In line with many other countries, Government of Uganda has adopted systems that will enable it to conform to International Public Sector Accounting Standards. It has, for instance, adopted a chart of accounts which is useful from budgeting to reporting.

Required:

Examine the various segments of the Government of Uganda chart of accounts.

(10 marks)

(Total 25 marks)

Question 4

- (a) (i) With examples and reference to the relevant International Public Sector Accounting Standards (IPSAS), describe the General Government Sector.

(4 marks)

- (ii) Evaluate the relevance of disclosure of appropriate information about the General Government Sector in financial statements as envisaged in the relevant IPSAS.

(6 marks)

- (b) IPSAS 24: Presentation of Budget Information in Financial Statements requires that, an entity shall present a comparison of budget amounts for which it is held publicly accountable and actual amounts, either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with IPSASs.

Required:

Discuss the likely causes of differences in the amounts in the financial statements and the budget.

(8 marks)

- (c) An entity may carry on foreign activities in two ways. It may have transactions in foreign currencies or it may have foreign operations. In addition, an entity may present its financial statements in a foreign currency. International Public Sector Accounting Standards (IPSAS) 4 sets out disclosure requirements for such entities.

Required:

Discuss the disclosure requirements set out by IPSAS 4 above.

(7 marks)

(Total 25 marks)

Question 5

- (a) The Ministry of Local Government is organising an induction seminar for the newly appointed Assistant Chief Administrative Officers (ACAOs) and Sub-Accountants for Ataturk District Local Government (ADLG) on their roles in the management and control of public resources under their care. You have been invited as an expert in matters of public financial management.

Required:

Prepare a paper for presentation highlighting the duties and functions of the following in public financial management:

- (i) Duties of ACAO **(10 marks)**
 - (ii) Functions of a standing committee of Council **(5 marks)**
 - (iii) Functions of the Executive Committee of Council **(6 marks)**
- (b) With reference to The Local Governments (Financial and Accounting Regulations, 2007), discuss the procedures necessary for replenishment and retirement of imprests.

(4 marks)

(Total 25 marks)

TEST PAPER 4 CPA (U) NOVEMBER 2018

Question 1

- (a) Uganda National Wildlife Authority (UNWA) is a statutory body purposely created to protect and preserve wildlife in Uganda. You are provided with abridged financial statements for UNWA for the year ended 31 December, 2017.

Statement of financial position

	2017 Shs '000'	2016 Shs '000'
Assets:		
Non-current assets:		
Property, plant & equipment	5,140,000	3,100,000
Other assets	<u>-</u>	<u>595,500</u>
	<u>5,140,000</u>	<u>3,695,500</u>
Current assets:		
Inventories	169,000	40,000
Trade & other receivables	3,860,000	1,750,000
Accountable advances to employees	164,000	394,000
Cash & cash equivalents	<u>553,600</u>	<u>910,000</u>
	<u>4,746,600</u>	<u>3,094,000</u>
Total assets	<u>9,886,600</u>	<u>6,789,500</u>
Taxpayers' contributions & liabilities:		
Taxpayers' contributions:		
Government of Uganda (GOU) contributions	2,000,000	1,000,000
Reserves	3,269,100	785,000
Capital development grant - GOU	<u>1,000,000</u>	<u>700,000</u>
	<u>6,269,100</u>	<u>2,485,000</u>
Liabilities:		
Non-current liabilities:		
Long-term borrowing	2,000,000	3,100,000
Conditional grant - World Bank	<u>45,000</u>	<u>-</u>
	<u>2,045,000</u>	<u>3,100,000</u>
Current liabilities:		
Trade & other payables	795,500	736,200
Contributions to employees' pension	500,000	300,000
Taxes payable	<u>277,000</u>	<u>168,300</u>
	<u>1,572,500</u>	<u>1,204,500</u>
Total taxpayers' contributions & liabilities	<u>9,886,600</u>	<u>6,789,500</u>

Statement of performance

Revenue:	Shs '000'
Central Government transfers	6,000,000
Donor grants	650,000
Operational costs	(2,760,000)
Operational income	3,890,000
Other income	2,229,100
Other expenses	(730,000)
Finance costs	(886,600)
Gross income before tax	4,502,500
Income tax expense	(1,218,400)
Surplus for the year	3,284,100
Other comprehensive income:	
Gain on property revaluation	-
Total income for the year	<u>3,284,100</u>

Additional information:

1. No item of property, plant & equipment was disposed of during the year. The property, plant & equipment bought for replacement purposes, were bought at the end of the current year on terms of hire-purchase agreement. A deposit of Shs 550 million was paid in cash and the remaining amount was to be paid with interest over a 4-year period.
2. Included in the trade and other payables is the current portion of Shs 504.6 million applicable to the hire-purchase agreement.
3. A 3-year conditional World Bank grant was received during the year. However, by 31 December, 2017 only Shs 20 million grant conditions were met though not reflected in the records. Also credited to reserves is a donation from the Netherlands Wildlife Trust for relocation of Rhinos from Semuliki wildlife sanctuary to Murchison Falls game park Shs 800 million.
4. Included in the other income before tax are other costs paid in cash Shs 1.4 billion.
5. Operational costs in the statement of performance include an amount Shs 680 million in respect of depreciation of property plant & equipment.
6. Long-term borrowings are made up of the following:

	2017	2016
	Shs '000'	Shs '000'
Hire-purchase liability	1,250,000	-
Bank loan	750,000	100,000

7. Income tax expense in the statement of financial performance consists of current tax assessed Shs 1,018,400,000 and Shs 200 million that was successfully appealed to the Commissioner General of Uganda Revenue Authority.
8. Other assets were disposed of at their cost value after recommendation from the Board of Surveys' reports.

Required:

- (i) Prepare a cash flow statement for UNWA for the year ended 31 December, 2017 using the direct method in accordance with the relevant IPSASs.

(17 marks)

- (ii) Comment on the liquidity position of UNWA for the period ended 31 December, 2017.

(7 marks)

- (iii) 'Information about the cash flows of an entity is useful in providing users of financial statements with information for both accountability and decision-making purpose.

Required:

Assess the validity of the above statement. **(8 marks)**

- (b) The Uganda Public Finance Management Act (PFMA), 2015 requires formation of the Investment Advisory Committee to advise the Minister of Finance on the petroleum investment policy of the Petroleum Revenue Investment Reserve and any amendments to it that the Petroleum Fund is to adhere to. You have been selected as an expert in the field of petroleum investment.

Required:

Explain, with reference to the Uganda PFMA 2015, areas in which the committee can advise the Minister on the investment policy.

(10 marks)

- (c) Government of Uganda (GOU) anticipates starting oil production in the districts of Buliisa, Kibale, Hoima, Kagadi and Masindi in the financial year 2019/2020. Production is estimated to yield US dollars 24 million with Buliisa expected to account for 40%, followed by Hoima 25%, Masindi 20%, Kagadi 10% and Kibale 5% of the production.

The population size of the above districts in the financial year 2019/2020 is estimated as follows:

Local government	Population ` million'
Buliisa	0.740
Kibale	0.850
Hoima	0.925
Kagadi	0.540
Masindi	0.460

The Uganda Public Finance Management Act, 2015 provides for the sharing of the royalties arising from oil and petroleum production as follows:

- (i) Government shall retain ninety four percent of the revenue from royalties arising from petroleum production and the remaining six percent shall be shared among the local governments located within the petroleum exploration and production areas of Uganda.
- (ii) Fifty per cent of the revenue from royalties due to the local governments shall be shared among the local governments involved in petroleum production based on the level of production of each local government or impact.
- (iii) The balance of 50 per cent of the revenue from royalties due to the local governments shall be shared among all the local governments based on population size, geographical area and terrain.

Required:

Advise Buliisa District Local Government on the amount of oil revenue estimate it should include in its annual budget estimates for the financial year 2019/2020.

(8 marks)

(Total 50 marks)

Question 2

You have been appointed a member of an evaluation committee for the procurement of a consultant on one of the projects in a ministry. Your colleagues have selected you to be the chairperson of the committee given your experience and knowledge of procurement matters. The evaluation method to be used for this procurement is the 'quality and cost-based evaluation method'. However, some of your colleagues are unfamiliar with this method and would like to be guided on the key aspects of the method before they proceed with the evaluation process.

Required:

- (a) Explain the circumstances under which a bid shall be administratively compliant under the preliminary evaluation stage of bids. **(4 marks)**
 - (b) Discuss the procedure for conducting a 'merit point evaluation' under the detailed evaluation stage of bids. **(10 marks)**
 - (c) Advise your colleagues on the steps they would take to evaluate financial bids of the corresponding technical bids that adhered to the minimum qualifying scores. **(6 marks)**
 - (d) Illustrate how you would determine the best evaluated bid after obtaining scores from the technical and financial bids. **(5 marks)**
- (Total 25 marks)**

Question 3

- (a) Your head of human resources has organised a 3-day orientation workshop for the newly recruited staff in the different departments of the Environment Protection Agency (EPA), an organisation where you are working as deputy head of finance.

Required:

Write brief notes to be presented at the orientation highlighting how the new staff should adhere to the following aspects of the Code of Conduct and Ethics for the Uganda Public Service:

- (i) Absence from duty. **(2 marks)**
- (ii) Handling of gifts and bribes. **(8 marks)**
- (iii) Engagement of public officers in political activities. **(4 marks)**

- (b) The declaration of assets and liabilities is one way Government of Uganda is trying to fight corruption and illicit accumulation of wealth by public officials. In recent years, the government launched the new Inspectorate of Government Online Declaration System (IG-ODS) to help leaders to declare their wealth with ease and in time.

Meanwhile, Mr. Magezi Aloysius, an assistant manager in charge of estates in the Ministry of Works, was offered a government vehicle to ease his transport when executing his official duties. While he parked the vehicle in his compound at night, thieves vandalized it and stole its portable components including its computer system. The ministry's mechanic estimated that the cost of repairing the damaged vehicle could be over Shs 31 million.

Required:

With reference to the Leadership Code Act, 2002:

- (i) discuss the functions carried out by the Inspectorate in enforcing the requirements of the Code.
- (ii) discuss and advise Mr. Magezi on the provisions of the Code regarding the abuse of public property.

(5 marks)

(6 marks)

(Total 25 marks)

Question 4

- (a) Gulu Municipal Council (GMC) acquired a loan Shs 120 million on 1 July, 2013 from Bank of Africa to construct a new maternity ward with an operating theatre. It was anticipated that the construction would take 5 years. The loan was to be serviced for 6 years at a fixed interest rate of 12% per annum.

On 1 July, 2013, the municipal engineer, who was expected to return from his studies abroad, wrote to the GMC asking for more time and he stated that he could return on 1 July, 2015. As a result, no work could be done in his absence.

On 1 July, 2014 GMC advised the Town Clerk to invest the Shs 120 million in treasury bills for 12 months. GMC, at maturity of the treasury bills, would receive an interest of 10 %.

1 July, 2015 construction of the maternity ward commenced. With additional manpower and long working hours, the construction was completed on 30 June, 2018.

Required:

- (i) Assess, with reasons, the treatment of interest in the financial statements of GMC in accordance with the requirements of the relevant IPSAS for the 6 years.

(12 marks)

- (ii) Comment on the disclosures that should be made in the financial statements for the above treatment in accordance with the requirements of the relevant IPSAS.

(3 marks)

- (b) NTM LTD has been operating in Uganda for the last 20 years. Qataria Global Investment (QGI) is the parent company of NTM LTD. QGI prepares and presents financial statements under IPSAS using the accrual basis of accounting.

Required:

- (i) Describe the disclosure requirements for investments in NTM LTD when QGI prepares separate financial statements.

(5 marks)

- (ii) Describe the circumstances under which QGI may not need to present consolidated financial statements.

(5 marks)

(Total 25 marks)

Question 5

- (a) The following information relates to Kiira Municipal Local Government; Department of Works and Technical Services for the third quarter of the financial year 2017/2018.

Item: Maintenance Civil - Local Materials

Approved budget estimate: Shs 150,000,000.

2018:

- (i) 15 January, ordered for hard core 400m³ at a rate of Shs 80,000 per cubic metre from Kaimanda, a local supplier. Contract number LM001.
- (ii) 20 January, ordered for hand crashed aggregates 20m³ at a rate of Shs 100,000 per cubic metre from Akankwasa. Contract number LM002.
- (iii) 27 January, obtained and paid for gravel from Kansiime, 6,000m³ at a rate of Shs 9,000 per cubic metre for ongoing road works. Payment voucher no. KLC 1801001.
- (iv) 1 February, paid for the hard core that was obtained from Kaimanda. Payment voucher no. KLC180208.

- (v) 16 February, obtained stone-dust 10m³, from Kirya at a rate of Shs 50,000 per cubic metre. Contract number.LM003.

The cash release from the Ministry of Finance, Planning and Economic Development for the quarter was Shs 130 million, under the code 228001: Maintenance Civil.

Required:

Prepare a vote book for Kiira Municipal Local Government as per the Local Government Financial and Accounting Manual, 2007.

(10 marks)

- (b) Local governments in Uganda are required to produce monthly, quarterly and annual financial statements. The reporting requirements are mandatory and intended to enforce accountability of the local government to the relevant stakeholders including the public, central government and parliament, among others.

Required:

As Town Treasurer of the recently created Katine Town Council, explain to the Executive Committee of the Town Council, the quarterly financial statements/ reports to be produced by the head of finance, and head of department as per the relevant local government financial reporting frameworks.

(8 marks)

- (c) Mbale City Authority (MCA) had the following transactions for the year ended December, 2017:

1. Received a donation of 20 computers from the Netherlands Embassy worth Shs 100 million at the beginning of the year.
2. Motor vehicles with accumulated depreciation of Shs 35 million were revalued to Shs 55 million by a qualified valuer on the request of the City Authority. These vehicles were originally bought at Shs 80 million.
3. The boards of survey confirmed that there were items of stock worth Shs 20 million that had not been recorded.
4. It is MCA's policy to depreciate computers at a rate of 40% per annum on straight-line.

Required:

Show the journal entries necessary to account for the above transactions for the year ended 31 December, 2017 in accordance with the Local Government Financial and Accounting Manual, 2007.

(7 marks)

(Total 25 marks)

TEST PAPER 5 CPA (U) JUNE 2019

Question 1

- (a) The following statement shows the budget estimates and trial balance for the National Centre of Breeding and Research (NCBR), a government statutory body, for the year ended 30 June, 2017:

Description	Initial budget Shs '000'	Actual	
		Dr. Shs '000'	Cr. Shs '000'
Multi-lateral development partners (donors)	(3,000,000)		1,763,000
Transfers received by ministries & agencies	(10,446,140)		10,068,091
Sale of (produced) government properties	(1,506,050)		1,227,000
Miscellaneous receipts	(150,860)		92,822
Contract staff salaries (incl. casuals)	3,778,862	3,149,048	
Social security contributions	351,063	292,553	
Gratuity expenses	647,605	456,337	
Medical supplies	2,725,368	2,637,580	
Accumulated depreciation:			
Buildings	1,050,000		162,500
Machinery & equipment	500,000		97,650
Welfare & entertainment	49,049	40,874	
Travel abroad	399,776	182,788	
Legal costs	450,000	9,500	
Buildings (cost)	2,696,827	2,366,605	
Machinery & equipment (cost)	1,245,390	976,502	
Non-produced assets (cost)		2,283,200	
Cultivated assets (cost)	1,209,110	1,094,128	
Revenue bank accounts		781,260	
Trade receivables		794,225	
Trade creditors			762,000
Deposits received			466,003
Withholding tax payable			82,300
Revenue reserves			343,234
		<u>15,064,600</u>	<u>15,064,600</u>

Additional information:

- 1 The National Centre of Breeding and Research (NCBR) prepares its financial statements adopting accrual basis accounting and International Public Sector Accounting Standards (IPSAS).
- 2 The policy of NCBR is to depreciate buildings at 5% on reducing balance and machinery and equipment at 10% on straight line. The property valuer for NCBR, in the year-end report, stated that non-produced assets had increased by 30%.
- 3 A reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the reporting period included in cultivated assets indicated that 70 heads of dairy cattle, 55 goats and 35 sheep each with a fair value of Shs 1,500,000, Shs 280,000 and Shs 650,000 per head respectively were either stolen or lost.
- 4 At the beginning of the financial year, NCBR received nitrogen conservation equipment from the World Food Security Organization as supplementary funding. It was estimated that in the open market, similar equipment costs Shs 870 million inclusive of shipping costs while taxes and other direct costs are estimated to result into 168%, whereas rebates amount to Shs 12 million. NCBR was to appropriate this donation under machinery & equipment.
- 5 On 10 July, 2016 the Ministry of Agriculture transferred buildings to NCBR valued at Shs 975 million. The buildings are to be used by NCBR to expand its operations.
- 6 Three years preceding the current reporting date, NCBR had acquired a liquid nitrogen making machine with expected life time of 15 years at Shs 150 million. The machine was expected to produce 700 cubic metres of nitrogen for artificial insemination services every year. However, due to poor environmental conditions, the machine's production capacity during the reporting period had reduced to 380 cubic metres per year. The replacement cost three years back of such a machine was estimated at Shs 40 million.
- 7 There was a mischarge on contract staff salaries (incl. casuals) amounting to Shs 128 million which was used by senior management to travel abroad, while Shs 32.7 million for social security contributions were charged on welfare and entertainment. While making monthly bank reconciliations, the accountant discovered that the cashier receipted revenue up to a tune of Shs 12.6 million from sale of (produced) government properties as miscellaneous receipts.
- 8 NCBR is authorised to collect non-tax revenue (NTR) to fill central government funding gaps and as a result, it sells hybrid agricultural

products including lambs, eggs, milk, and chicken and also trains farmers in modern farming practices. By the end of the financial year, the Centre had generated Shs 245 million in cash and Shs 36 million in credit sales. The Budget Committee had included this revenue in the projected sale of (produced) government properties.

Required:

With reference to relevant Public Sector Accounting Standards, prepare, for NCBR for the year ended 30 June, 2017 a statement of:

- (i) financial performance. **(13 marks)**
- (ii) financial position. **(14 marks)**
- (iii) budget performance, clearly showing the variance between the approved budget and actual expenditure for revenues and operating expenses. **(9 marks)**

- (b) Of the tasks performed by the Secretary to the Treasury in the budgeting process in Uganda are issuing to the sectors the first Budget Call Circular by the 15th day of September of every financial year and preparing a medium-term expenditure framework, among others. Besides, each sector is required to prepare and submit, to the Finance Minister, a budget framework paper containing a 'fiscal risk statement', who in turn submits a compiled statement to parliament for approval.

Required:

With reference to the Public Finance Management Act, 2015 and Public Finance Management Regulations, 2016:

- (i) describe the contents of the 'first budget call circular' and those of the 'fiscal risks statement' in the Budget Framework Paper. **(7 marks)**
- (ii) explain the items the Secretary to the Treasury bases on in preparing the medium-term expenditure framework for the purpose of preparing the annual budget. **(4 marks)**
- (iii) discuss the contents of a request for virement to the Minister of Finance by an Accounting officer. **(3 marks)**

(Total 50 marks)

Question 3
Question 3
Question 3

(Total 25 marks)
(Total 25 marks)
(Total 25 marks)

Question 2

- (a) Uganda National Forest Authority (UNFA) appointed a Board of Surveys to review and identify assets to be disposed of in the financial year 2017/2018. The Board of Surveys submitted a report (below) in December 2017 with a list of assets recommended for disposal.

Asset type	Year of make	Serial/ Engine No.	Location	Estimated cost/value Shs '000'	LOT No.
Generator	2000	CAT123-004763	HQ yard	500	LOT1/HQ01
Double Cabin Pick-up (UAA 900)	1995	RX.05218-964	UNFA Mbale office yard	6,000	LOT1/M02
Mowing machine	2001	GX312-Y347	HQ yard	100	LOT1/HQ02
Motor cycle	1994	YH452-00-132	UNFA Hoima office Yard	450	LOT1/H03
Wheel Loader	1992	GD542-9H8002	UNFA Rubanda office yard	38,000	LOT1/R001

Required:

- (i) Using a suitable form as prescribed by the PPDA Act, 2003 and regulations 2014, write a requisition for disposal to the accounting officer for approval of the above assets. **(10 marks)**
- (ii) As manager in-charge of assets management, advise UNFA on appropriateness of public auction as a method of disposing of the Authority assets and the rules governing disposal of public assets by public auction. **(10 marks)**
- (b) Rukiga Municipal Council invited bids for the disposal of its old assets that were recommended by the board of surveys during the month of March 2018. The bids were received and evaluated to determine the best bidders for the various items. However, Tubalemese Ltd (TL), one of the companies that had submitted bids but was unsuccessful following the evaluation process, wants to lodge a complaint for administrative review by the accounting officer.

Required:

Advise TL on what should be included in a complaint letter to the accounting officer. **(5 marks)**
(Total 25 marks)

Question 3

- (a) "Corruption, fraud and money laundering have affected our public institutions", as quoted in one of Uganda's leading daily newspapers. It all started on 2 March, 2018 when Mr. Walugembe, a senior public servant in the Ministry of Local Government, signed for and picked the allowances for his driver and bodyguard but never passed on this money to them. Okello (the driver) and Opoko (the bodyguard) were meant to travel with Mr. Walugembe upcountry to inspect the progress of the World Bank funded construction projects in Mbale and Gulu districts. When they asked Mr. Walugembe about their facilitation, he told them that the accountant said that the IFMS system was on and off and could not be able to process their travel allowances in time.

On returning from upcountry visits, Opoko and Okello went to the accountant to inquire about their allowances. The accountant showed them the payment voucher where their allowances had been signed for by Mr. Walugembe on 2 March, 2018. The accountant told them that Mr. Walugembe is a very difficult man who has been accused of money laundering, fraud and corruption but is feared within office and no one has ever reported him. He advised them to report the matter to any of the government agencies that are fighting fraud, corruption and money laundering.

Opok and Okello are confused and they have come to you for advice on suitable government agencies to report this matter to.

Required:

Discuss the differences in the mandate between the following agencies in relation to the above scenario:

- (i) Uganda Financial Intelligence Authority and Directorate of Criminal Investigation and Crime Intelligence.

(6 marks)

- (ii) Office of the Auditor General and Office of the Inspectorate of Government.

(7 marks)

- (b) The Minister of Finance has appointed you the chairperson of the audit committee for the energy and minerals sector of government. This sector comprises one ministry and seven agencies.

Required:

In accordance with the Uganda Public Finance Management Act, 2015 discuss the functions of the sector audit committee.

(12 marks)

(Total 25 marks)

Question 4

- (a) During 2017, a public sector entity changed its accounting policy for the treatment of borrowing costs that are directly attributable to the acquisition of a hydro electric power station that is under construction. In the previous periods, the entity had capitalised such costs. It has now decided to expense, rather than capitalise them. Management considers that the new policy is preferable, because it results in a more transparent treatment of finance costs and is consistent with local industry practice, making the entity's financial statements more comparable.

The entity capitalised borrowing costs Shs 5.2 billion incurred during 2016 and Shs 10.4 billion in periods prior to 2016. All borrowing costs incurred in previous years in respect of the acquisition of the power station were capitalised. The accounting records for 2017 show a surplus before interest Shs 60 billion and interest expense Shs 6 billion (which relates only to 2017). The entity has not recognised any depreciation on the power station because it is not yet in use. In 2016, the entity reported a surplus before interest Shs 36 billion, opening accumulated surplus was Shs 40 billion and closing accumulated surplus was Shs 76 billion. The entity had Shs 20 billion of contributed capital throughout, and no other components of net assets except for accumulated surplus.

Required:

With reference to the relevant International Public Sector Accounting Standards (IPSAS), present the public sector entity's statement of financial performance and changes in net assets for 2017, with the 2016 restated balances.

(9 marks)

- (b) Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorized for issue.

Required:

With reference to the relevant IPSAS, illustrate events that are 'adjusting' and 'non-adjusting' after the reporting date.

(11 marks)

- (c) You are the director, finance of Uganda Farmers Authority, a public sector entity that prepares its financial statements in accordance with IPSAS. Your staff are uncertain about the meaning, examples and the relevant IPSAS applicable to 'bearer plants', and thus need your guidance in this area.

Required:

Advise your staff on the key aspects mentioned above in relation to 'bearer plants'.

(5 marks)

(Total 25 marks)

Question 5

- (a) Mabagalo Municipality is one of the recently formed administrative units by government in a move to bring services closer to the people. There has been a move by councilors to cause the transfer of the town clerk and the impeachment of the mayor which has paralysed work at the municipality. The councilors accuse the duo of causing financial loss to the municipality, abuse of office and misconduct, which accusations they vehemently deny. They are further accused of applying the divide and rule approach and failure to provide Council with approved budgets and work plans. Other accusations include failure to digitalise local revenue collection and failure to set up a tax tribunal so that concessions can be reached for people to pay property tax. It is estimated that these standoffs have cost the municipality over Shs 200 million in uncollected revenue.

You have recently been recruited as the Municipal Treasurer and the Council Speaker needs advice to present to Council on the next course of action from an informed point of view.

Required:

Write a report to the Council Speaker highlighting statutory functions of the following in a local government as per the Local Government Institutional Framework:

- (i) Mayor. **(5 marks)**
 - (ii) Executive Committee. **(7 marks)**
 - (iii) Town Clerk. **(5 marks)**
 - (iv) Local Government Public Accounts Committee. **(3 marks)**
- (b) You are the revenue officer in Abiritong District Local Government and you have received an inspector from the ministry to review your adherence to performance standards. This was a week after external auditors visited your district in a bid to ascertain the existence of projects reported in your financial statements. The newly appointed Accounts Assistant is wondering what role she can play during the inspection and audit exercise.

Required:

Describe the duties of accounts staff during the above inspections and external audit.

(5 marks)

(Total 25 marks)

TEST PAPER 6

CPA (U) AUGUST 2019

Question 1

- (a) The following trial balance was prepared by the Ministry of Works and Transport (MoWT) as at 30 June, 2017.

	Dr. Shs 'million'	Cr. Shs 'million'
Infrastructure, plant & equipment (at cost)	680,000	
Property (at cost):		
Land	80,000	
Buildings	200,000	
Accumulated depreciation at the start of the year:		
Infrastructure, plant & equipment		180,000
Property		60,000
Capitalised development expenditure:		
Project A	78,455	
Project B	59,550	
Inventory at year end	88,000	
Suspense	45	
Cash & cash equivalents	200	
Long-term receivables from exchange transactions	4,968	
Receivables from non-exchange transactions	600	
Payables under exchange transactions		2,000
Capital contribution from government 1 July, 2016		352,000
Accumulated revenue reserves 1 July, 2016		9,592
Revaluation reserve		3,200
Revenue contribution from the central government		754,000
Transfers from other government entities		60,000
Employee benefits	65,564	
Grants & other transfer payments	130,224	
Supplies and consumables used	502,700	
General and administrative costs	86,936	
Fees, taxes, fines & penalties		552,000
Long-term payables under non-exchange transactions		3,200
Long-term superannuation		1,250
	<u>1,977,242</u>	<u>1,977,242</u>

Additional information:

- 1 The ministry prepares its financial statements on accrual basis in accordance with International Public Sector Accounting Standards (IPSASs).
- 2 One of the buildings included in the trial balance was disposed of for Shs 390 million at the end of the financial year. The cost, accumulated depreciation and balance on the revaluation reserve account of this building were Shs 600 million, Shs 280 million and Shs 107 million respectively at the time of disposal. However, the proceeds were not received by the end of the financial year. This transaction has not been accounted for in the books of account of the ministry.
- 3 On 1 July 2016, the ministry entered into an arrangement with a private company, Safe Group Services Limited (SGSL) to construct and operate four vehicle inspection centres around Kampala city. The company incurred Shs 5,250 million to construct all the four centres and by 31 December, 2016 all the centres were ready for use. The ministry allowed SGSL to collect fees from the vehicles being inspected using the ministry approved rates. The arrangement provides that SGSL will manage the inspection centres for a period of 15 years with the ministry fully controlling and regulating the fees. SGSL expects to collect Shs 1,030 million as inspection fees per year. The total consideration (Shs 1,030 million) reflects the fair values for each of the services provided by the operator and is intended to cover the reimbursement to the operator for the initial cost of construction and annual operating costs during the period. The ministry recognises revenue from the concession arrangement on a straight-line basis over the concession period.
- 4 Projects A and B are both development projects. Project A, relating to the design, construction and operation of a plant, commenced production three months to the end of the financial year with revenues starting to flow in. By the end of the financial year, the ministry had earned revenue amounting to Shs 73 million from two clients who were expected to pay on 5 August, 2017. This revenue has not yet been recognised in the ministry books of account.
- 5 The balance on the suspense account relates to amounts invested on Project C (road maintenance software development costs). However, the tests of the software are at present inconclusive.
- 6 Capitalised development expenditure is amortised at 10% per annum using the straight-line method. All infrastructure, plant and

equipment, and service concession assets are depreciated at 10% per annum using the reducing balance method. Buildings are depreciated at 5% per annum on a straight-line.

Required:

Prepare, for the ministry, for the year ended 30 June, 2017 a statement of:

- (i) financial performance. **(12 marks)**
- (ii) financial position. **(15 marks)**

- (b) The following information was extracted from the books of account of the Ministry of Fairness and Rule of Law for the financial year ended 30 June, 2018.

Details:	Shs
Cash & cash equivalents at the beginning of the year	15,785,546
Domestic arrears paid during the year	900,620,867
Excess of revenue over expenditure for the year	13,055,844,246
Foreign exchange losses	701,278,141
Land-capitalized during the year	850,000,000
Letters of credit receivable at year end	3,491,800,721
Letters of credit receivable prior year but delivered during the year	12,500,145,000
Net financial worth for the previous year	(9,174,831,000)
Transfers to Treasury – non tax revenue	456,400,679
Net increase of cash & cash equivalents during the period	74,097,499
Over statement of prior year cash balance	855,517
Total expenditure per appropriation account	52,773,056,000
Transfers to the consolidated fund (previous year unspent balances)	4,079,545

Required:

With reference to the Government of Uganda Financial Reporting Templates 2018, prepare for the ministry:

- (i) Statement of net worth as at 30 June 2018. **(4 marks)**
 - (ii) Reconciliation of movement of cash during the year ended 30 June 2018. **(4 marks)**
 - (iii) Statement of reconciliation between total expenditure per statement of Appropriation Account to total expenditure in the statement of financial performance for the year ended 30 June 2018. **(7 marks)**
- (c) The following expenditure items were extracted from the trial balance of the Ministry of Equal Opportunities for the year ended 30 June 2019. The ministry classifies and reports its expenditure in accordance with the Government of Uganda Chart of Accounts, 2016:

Details:	(Shs)
Allowances	545,163,101
Transfers to Treasury	100,000,000
Contributions to autonomous institutions	330,000,000
Depreciation for transport equipment	20,000,000
Ex-gratia for other retired & serving public servants	400,269,800
Fuel, lubricants & oils	400,900,451
Gratuity expenses	807,900,000
Maintenance - vehicles	160,000,000
Depreciation for residential buildings	84,202,000
Social security contributions	54,700,571
Staff training	150,056,790
Development grant	119,000,000
Maintenance - civil	209,600,800
Travel inland	234,104,000
Workshops and seminars	74,100,000
Depreciation for machinery and equipment	50,000,000
	<u>3,739,997,513</u>

Required:

Classify the above expenditure items based on their nature as per the expenditure classifications in the statement of financial performance in the Government of Uganda Financial Reporting Templates 2018.

(8 marks)

(Total 50 marks)

Question 2

You are the Director Corporate Services, for Uganda National Tax Collections Authority (UNTCA). Your Directorate comprises of five departments including Finance and Accounts, Administration, Procurement, Human Resources and Information & Communications Technology. The UNTCA Board has approved the recommendation of the Board of Survey to dispose off a number of assets of the UNTCA which include: vehicles, computers, furniture, and equipment, among others. However, the UNTCA Board is uncertain about the conditions and rules for disposal of public assets.

Required:

With reference to the Public Procurement and Disposal of Public Assets (PPDA) Regulations, 2014 prepare a brief, to the Board of UNTCA, on the following aspects:

(a) Conditions for disposal of public assets by use of:

(i) public auction. **(5 marks)**

(ii) sale to public officers. **(3 marks)**

(iii) direct negotiations. **(2 marks)**

(iv) donation. **(2 marks)**

(b) Rules for disposal of public assets by public auction. **(8 marks)**

(c) What the procuring and disposing entity should take into account when procuring an auctioneer.

(5 marks)

(Total 25 marks)

Question 3

- (a) You are a senior accountant in the Ministry of Health. The ministry has recruited two accountants that will be reporting to you as their line supervisor. You have been asked to prepare orientation notes that will guide the new staff in understanding the budget codes used in the Integrated Financial Management System (IFMS).

Required:

Prepare briefing notes in which you discuss the structure of the government of Uganda chart of accounts 2016.

(15 marks)

- (b) The implementation of IFMS was motivated by the Uganda Government's desire to improve efficiency in budget preparation, execution and financial reporting. The Oracle-based IFMS is currently being rolled out in all ministries, agencies and local governments, while the Navision based IFMS is being phased out from local governments that had earlier been set up on that system.

Required:

Discuss how the modules under the Oracle-based IFMS enhance budget preparation, execution and financial reporting.

(10 marks)

(Total 25 marks)

Question 4

- (a) Umoja Telecom Limited (UTL) is a public sector entity established to provide telecommunication services. On 30 June, 2017 UTL set up a foreign subsidiary Afrique Telecom Limited (ATL) in South Sudan in order to expand its operations and take advantage of regional integration. UTL subscribed South Sudanese pounds (SS£) 24,000,000 for share capital when the exchange rate was SS£ 2 = Shs 1. UTL's financial year ends 31 December.

On 28 December, 2017 ATL borrowed SS£ 72,000,000 from South Sudan Development Bank and bought a non-monetary asset for SS£ 96,000,000. ATL's financial year ends on 31 December.

UTL prepared its accounts on 31 December, 2017 and by that time, the exchange rate had moved to SS£ 3 = Shs 1.

Due to highly unusual circumstances and political instability, ATL sold its asset early in 2018 for SS£ 96,000,000. It repaid its loan and was

liquidated. UTL's capital of SS£ 24,000,000 was repaid in February 2018 when the exchange rate was SS£ 3 = Shs 1.

Required:

- (i) Account for the above transactions in the books of UTL as if ATL has a different functional currency from that of UTL. **(6 marks)**
 - (ii) Assess the factors management of UTL must take into account when determining the functional currency of a foreign operation (ATL). **(4 marks)**
- (b) Uganda Public Railways Authority (UPRA) is a public sector entity that prepares and presents financial statements using accrual basis of accounting. During the financial year 2017/2018, UPRA elected to make its budget publicly available. The Head of Finance and Accounts has organised a retreat to educate the staff in the department on the requirements of making budgets publicly available.

Required:

With reference to IPSAS 24: Presentation of Budget Information in Financial Statements, write a briefing to your colleagues in the Finance and Accounts department on the following:

- (i) 'Annual budget', 'approved budget' and 'final budget'. **(3 marks)**
 - (ii) Disclosure requirements for the Standard. **(4 marks)**
- (c) A government may elect to prepare and present information about the general government sector (GGS) in their consolidated financial statements in accordance with International Public Sector Accounting Standards (IPSASs) and in some jurisdictions, in accordance with statistical bases of financial reporting. Statistical bases of financial reporting and IPSASs have many similarities and differences in their treatment of particular transactions and events.

Required:

Discuss the key areas of difference between the IPSASs and statistical bases of financial reporting. **(8 marks)**
(Total 25 marks)

Question 5

You recently applied for the position of senior financial management specialist for the Financial Management & Accountability Programme (FINNAP) under the Ministry of Monetary Affairs and Economic Policy. You were subsequently invited for an interview during which you were asked questions relating to the Public Financial Management Act, 2015 and Public Financial Management Regulations, 2016:

Required

In relation to the Act and the Regulations referred to above, explain the following:

- (a) Relevance of contingencies fund and how it is managed. **(6 marks)**
 - (b) Procedures for withdrawal from the consolidated fund. **(6 marks)**
 - (c) Relevance of a board of survey and how it is conducted in ministries. **(6 marks)**
 - (d) Procedure for collection and deposit of petroleum revenues into the petroleum fund and withdrawal therefrom. **(4 marks)**
 - (e) Classified expenditures and how they are accounted for. **(3 marks)**
- (Total 25 marks)**

TEST PAPER 7

CPA (U) NOVEMBER 2019

Question 1

- (a) The information presented below relates to Kako Municipal Council (KMC) for the year ended 30 June, 2019.

Statements of financial position:

	2019 Shs '000'	2018 Shs '000'
Current assets:		
Cash	87,000	351,000
Short-term investments (call deposit accounts)	429,000	138,000
Trade receivables	822,000	972,000
Inventories	<u>1,080,000</u>	<u>681,000</u>
	2,418,000	2,142,000
Non-current assets:		
Investment property	300,000	300,000
Development expenditure	870,000	480,000
Property plant & equipment (PPE)	<u>2,475,000</u>	<u>1,911,000</u>
	<u>3,645,000</u>	<u>2,691,000</u>
Total assets	<u>6,063,000</u>	<u>4,833,000</u>
Current liabilities:		
Bank overdraft	396,000	162,000
Withholding tax payable	312,000	594,000
Loan interest payable	15,000	-
Trade creditors	822,000	1,056,000
Advances from other government units	2,400,000	1,500,000
Finance lease liabilities	<u>51,000</u>	<u>36,000</u>
	3,996,000	3,348,000
Non- current liabilities:		
6% loan from multi-laterals	450,000	300,000
Finance Lease liabilities	<u>300,000</u>	<u>240,000</u>
	<u>750,000</u>	<u>540,000</u>
Total liabilities:	4,746,000	3,888,000
Net worth/ equity:		
Revaluation surplus	456,000	180,000
Reserves	<u>861,000</u>	<u>765,000</u>
	1,317,000	945,000
Total equity and liabilities	<u>6,063,000</u>	<u>4,833,000</u>

Summary of statement of financial performance.

	Shs '000'
Total revenue	4,428,000
Operating expenses (classified by nature)	(2,886,000)
Other expenses	(471,000)
Finance costs	(45,000)
Surplus/ deficit from operating activities	1,026,000
Transfer to treasury- WHT amount not remitted	(486,000)
Transfers to treasury- others	(468,000)
Gain on revaluation of PPE	<u>300,000</u>
Total surplus/ deficit for the year	372,000

Additional information:

- 1 KMC prepares its financial statements in accordance with International Public Sector Accounting Standards (IPSAS) on accrual basis.
- 2 The trade receivables relate to property rates revenue not received by end of the period.
- 3 During the financial year ended 30 June 2019, expenditure on development totaled Shs. 570,000,000. This expenditure relates to designing of local revenue management system that is under development and is accounted for according to the relevant IPSAS.
- 4 In the financial year ended 30 June 2019, items of Plant, Property and Equipment (PPE) with a net book value Shs 309,000,000 were sold for Shs 330,000,000. This was fully accounted for in the books of KMC. Depreciation charged in the year on PPE totaled Shs 171,000,000 and KMC's policy is to transfer extra depreciation on revalued PPE to reserves. Depreciation based on historical cost in the financial year ended 30 June 2018 is Shs 147,000,000. KMC purchased PPE Shs 168,000,000 by means of finance leases, payments being made in arrears on the last day of each financial year.
- 5 KMC also received authority and invested funds in call deposit accounts with a commercial bank. The Municipal Council classifies them as cash equivalents.
- 6 A new 6% loan from Multi-lateral Development Partners was received on 1 July, 2018. Finance costs indicated on the statement of financial performance relate to interest charges.
- 7 During the year, KMC received advances from other government units as deposits received to implement community development projects. These advances are accounted for as conditional grants.

- 8 On 30 June, 2019, an electronic funds transfer of an amount equal to Shs 486,000,000 was made to treasury. This amount related to withholding tax that should have been remitted to the tax authority by 30 June, 2019. Additional transfers to the Treasury related to un-committed conditional grants from central government.

Required:

- (i) Prepare, for KMC for the financial year ended 30 June, 2019, a cash flow statement using indirect method.

(35 marks)

- (ii) Discuss the need for public sector entities to prepare cash flow statements at the end of their financial or accounting period.

(5 marks)

- (b) Public Finance Management (PFM) comprises diverse functions including planning, budgeting, revenue collection, procurement, cash and commitments management, payments management, asset management, liability management, accounting, reporting, auditing, and fiscal oversight. In practising PFM, the public officers are expected to adhere and comply with the various legal and regulatory provisions.

Required:

Describe the legal and regulatory frame work for financial reporting in Uganda.

(10 marks)

(Total 50 marks)

Question 2

The Public Procurement and Disposal of Public Assets (PPDA) Authority organized a workshop for all procurement officers of public sector entities. Among the key highlights of the workshop was the discussion of procurement contracts awarding, contracts pricing, issuing and management for public sector entities as per the PPDA regulations, 2014.

After attending the workshop, your head of department has asked you to make a presentation to other departmental staff about the salient features of contracts management as learned from the workshop.

Required:

In your presentation, discuss the:

- (a) necessary pre-conditions before issuing a contract document or purchase order by a procuring and disposing entity, in accordance with PPDA regulations, 2014.
(9 marks)
- (b) roles carried out by a Contracts Manager in order to discharge his or her obligations
(9 marks)
- (c) conditions that must be met before a contract is amended and issued to the provider.
(7 marks)

(Total 25 marks)

Question 3

Debt can be an important instrument in a government's financing strategy, but excessive buildup or poor management of debt can create serious economic problems. The Government of Uganda introduced the Debt Management and Financial Analysis System (DMFAS) to attain effective practical solutions that support the country to achieve good debt management. The overall development objective is to strengthen government's capacity to manage their debt effectively and sustainably, in support of poverty reduction, development and good governance.

Required:

- (a) Discuss the key operational areas that should be carried out by debt officers under the DMFAS that enables it achieve its objectives.

(13 marks)

- (b) Present the case for the implementation of the DMFAS by Government of Uganda.

(12 marks)

(Total 25 marks)

Question 4

As per legislative and policy frameworks for public debt management such as PFMA 2015, Public Debt Management Framework (2013) and Medium Debt Management Strategy, a public entity, Uganda Infrastructure Development Authority (UIDA) obtained various loans through the Ministry of Finance with an aim of addressing infrastructural constraints and achieve the country's development objectives.

On 1 January 2016, the following loan agreements were concluded and loans obtained:

15% African Development Bank loan constituting 48% of the total borrowing, 12% World Bank loan forming 28% of the total borrowing, 17% China Exim Bank forming 10% of the total borrowing, while 14% Islamic bank loan contributing 14% of the total borrowing.

The total borrowed from these institutions amounted to Shs 90.7 billion and are all considered as non-concessionary loans.

As per loan agreements, interest rates are fixed per annum as simple interest rates and amounts are denominated in Uganda Shillings.

There was a requirement from China Exim Bank to pay 1% loan management fee upfront and depositing minimum required funds on the repayment reserve

account. Related loan terms led to delay for 151 days before amounts borrowed could be disbursed for their projects.

The funds in the pool were then disbursed on 1 June, 2016 for the construction works to commence on the projects as follows:

- 1 Construction of the bridge and the road: 60% of the funds were disbursed on 1 June, 2016 for construction of Kasa Bridge and Kumba-Buma road. The actual construction of the bridge commenced on 1 August, 2016 following the completion of the procurement process that involved hiring a supervising consultant while work on the road commenced on 1 September, 2016 following resolution of a case from actions of a whistle blower in which a tender award to NKA construction company was being investigated on grounds of procurement irregularities.
- 2 Markets and agricultural trade improvement program for construction of Pabo central market building: 10% of the funds were disbursed but construction works started on 1 July, 2016.
- 3 Higher Education Service Sector (HESS): 15% of the funds were disbursed on 1 June, 2016 for construction of National Science and Technology library and construction works commenced on 1 July, 2016 following floods that had covered the site for one month and needed proper architectural design to avoid future occurrence. The contractor was meant to start works on 1 June, 2016.
- 4 15 % of the funds was also disbursed on 1 June, 2016 for construction of National Production and Incubation Facility (NPIF) but construction works were delayed until 1 March, 2017 due to the process of relocating and resettling squatters at the site.
- 5 Borrowing costs attributable to acquisition, construction or production of qualifying assets are capitalised.
- 6 All borrowing costs were incurred and accounted for by UIDA through their annual budget allocations. By 30 June, 2017, all construction projects were still in progress.

Required:

- (a) With reference to the relevant IPSAS, calculate the borrowing costs for expensing and capitalising per project during the two financial years.

(20 marks)

- (b) In regard to borrowing costs, show extracts of statement of financial performance and statement of financial position for the two financial years.

(5 marks)

(Total 25 marks)

Question 5

- (a) The Local Government Institutional and Legal Framework provides for the political and administrative setup of local governments, the election of local councils and for any other matters connected to the administration and operations of local authorities.

In view of the above provisions, you have been requested by Ministry of Governance (MoG) to make a presentation at a local government staff workshop.

Required:

In your presentation, discuss the:

- (i) functions of the Chief Administrative Officer as per Local Government Act, 1997.

(10 marks)

- (ii) duties of Head of Finance as per Local Government Finance and Accounting Regulations, 2007.

(10 marks)

- (b) The Local Government Act, 1997 provides for the establishment of Local Government Public Accounts committee (LGPAC) comprising four members appointed by the district council on the recommendation of the District Executive Committee and one member appointed in the case of a district with more than one urban authority, by an electoral college of the urban council executive committee members in that district; and in the case of a district with only one urban authority, by the urban council on the recommendation of the urban executive committee.

Required

Discuss the grounds on which a member of the LGPAC may be removed from the committee.

(5 marks)

(Total 25 marks)

TEST PAPER 8

CPA (U) DECEMBER 2020

Question 1

- (a) The University of Oregon (TUO) was established, in 1962, by an Act of Parliament to provide quality high education and research in health and agricultural sciences in Uganda under the Ministry of Educational Services. TUO was subsequently chartered as a public university in 2001 as per The Universities and Other Tertiary Institutions Act, 2001.

In 2000, TUO established the Agriculture Study and Research Centre (ASRC) to address the emerging challenges of pests and disease control in the agricultural sector especially the cassava mosaic, banana weevils and desert locusts that threatened the livelihood of a predominantly agricultural economy. Although the university receives funding from the Government of Uganda, the ASRC was established by TUO, not the government, with assistance from World Health Organisation (WHO) and Food and Agricultural Organisation (FAO). The centre follows policies established by the University Council and is manned by a manager and staff appointed by TUO with its own budget.

By March 2020, TUO had total capitalisation of Shs 272 billion in infrastructure and other investments in the ASRC and the balance being from WHO and FAO capitalisation contribution for their share as partners in the centre's research activities.

The following statements of financial position as at 31 March, 2020 are for TUO and ASRC:

	TUO Shs 'million'	ASRC Shs 'million'
Assets		
Current assets:		
Cash and cash equivalents	15,000	8,500
Receivables	4,300	402
Staff advances	540	24
Inventory	<u>1,520</u>	<u>275</u>
	21,360	9,201
Non-current assets:		
Long term receivables-exchange transactions	670,000	2,900
Other investments	630,000	1,899
Investment property	185,000	-
Investment in ASRC	272,000	
Infrastructure, property, plant and equipment	<u>1,820,000</u>	<u>690,000</u>
	3,577,000	694,799
Total assets	<u>3,598,360</u>	<u>704,000</u>

	TUO Shs `million`	ASRC Shs `million`
Assets		
Liabilities		
Current liabilities:		
Pension contribution	85,000	15,000
Payables	315,000	120,000
Withholding tax	105,000	32,000
Gratuity payments	200,000	17,000
Short-term borrowing	<u>450,000</u>	<u>19,000</u>
	1,155,000	203,000
Non-current liabilities:		
10 year EADB loan	135,000	2,000
Net assets/ equity		
Capital contributed by:		
Capitalisation grants	1,996,860	320,000
Revaluation reserves	115,000	94,000
Accumulated revenue reserves	<u>196,500</u>	<u>85,000</u>
	2,308,360	499,000
Total equity and liabilities	<u>3,598,360</u>	<u>704,000</u>

Additional notes:

- 1 The university prepares and presents its financial statements using the accrual basis of accounting.
- 2 In April 2019, TUO acquired a 10-year EADB loan at an interest rate of 12% per annum for expansion of library facilities at both the ASRC and TUO campuses. The expansion of the library facilities at the main campus started immediately. However, work at the ASRC could not commence due to delays in designs, by the consultant, for expansion. The funds were immediately invested in treasury bills for one year at 5% yield at maturity. No entry on borrowing costs had been made. It is TUO's policy to capitalise borrowing costs.
- 3 During the year, TUO transferred stock of laboratory consumables worth Shs 45 million to ASRC at cost price to cater for emergency stock out. ASRC is expected to payback the stock items when its procurement is concluded by May 2020. This transaction is reflected in both records.
- 4 In March 2014, ASRC received a capital grant Shs 2 billion given for the express purpose of purchasing a new research equipment for banana weevil studies with an expected useful life of 20 years. The equipment was purchased at a cost Shs 2 billion in the same year. By March 2020, the use of the equipment had declined due to changes and advancement in technology used in similar equipment for in-

depth research as the newer model provides more accurate data. A new similar equipment with the same functionality in the market currently costs Shs 1.250 billion. It is TUO's policy to assess the impairment loss annually.

- 5 During the year ended 31 March 2020, the university transformed one of the hostels previously rented out to post graduate students as additional source of revenue into a lecture theatre. The value of this building is Shs 8.5 billion and is included in the investment property. The university depreciates all buildings at rate of 5% per annum.

There was also a change to property asset of ASRC during the year which was not reflected in the books of account. One of the buildings was disposed of for Shs 140 million. The cost, accumulated depreciation and balance on revaluation reserve in respect of this building at the time of disposal were Shs 180 million; Shs 75 million and Shs 15 million respectively.

- 6 The inventory reported in the statement of financial position of TUO includes stock of educational training materials that were damaged by heavy rains that devastated the country in the months of October-December 2019. The cost of this inventory was Shs 60 million at the time they were bought. The university has tried to find alternative use of these materials but seems it has hit dead end other than selling it to China Xjing Ting Paper Factory Ltd at Shs 8 million. The factory can recycle it for toilet paper.

Required:

- (i) Prepare, for The University of Oregon and its controlled entity, a consolidated statement of financial position as at 31 March, 2020. (Show all the necessary workings).

(27 marks)

- (ii) Evaluate the other non-financial benefits that may accrue to TUO due to its involvement with ASRC.

(8 marks)

- (iii) Advise TUO on the recognition of revenue arising from use, by other parties, of the entities' assets yielding interests, royalties and dividends in its books of account.

(5 marks)

- (b) The Public Finance Management Act, 2015 as Amended and the Public Finance Management Regulations, 2016 require that the Parliament of Uganda enacts the Appropriation Act for each financial year.

Required:

With reference to the above legislations, discuss the:

- (i) purpose of the Appropriation Act **(3 marks)**
- (ii) requirements on expiry of appropriations **(4 marks)**

- (c) The Public Finance Management Act, 2015 as Amended requires that Parliament may approve a supplementary appropriation or the Minister may approve a supplementary budget, as the case may be, where the supplementary expenditure is unabsorbable, unavoidable and unforeseeable.

Required:

With reference to the above statement, explain what is meant by 'unabsorbable', 'unavoidable' and 'unforeseeable'.

(3 marks)

(Total 50 marks)

Question 2

- (a) The Public Procurement and Disposal of Public Assets (PPDA) Act, 2003 has gone through a number of amendments to ensure transparency and ease of the way in which public expenditure on procurement is done. There have been a number of complaints about long delays in administrative reviews and procurement procedures.

Required:

With reference to the Public Procurement and Disposal of Public Assets (PPDA) Act, 2003 as Amended, discuss the powers of the Public Procurement and Disposal of Public Assets Appeals Tribunal.

(8 marks)

- (b) The procurement and disposal plan, as per the Public Procurement and Disposal of Public Assets (PPDA) Act, 2003 as Amended, shall be prepared and submitted by a procuring and disposing entity (PDE) each financial year to the Secretary to the Treasury and to the PPDA Authority.

Required:

Discuss the contents of an annual procurement plan.

(10 marks)

- (c) The PPDA Regulations, 2014 as Amended prescribe the format of the requisition for disposal of assets in public entities as per Form 28.

Required:

Discuss the contents of the requisition for disposal of assets in accordance with the PPDA Regulations, 2014 as Amended.

(7 marks)

(Total 25 marks)

Question 3

- (a) The Government of Uganda imposed a ban on motor vehicles purchase expenditure due to budget constraints and escalating demands for new vehicles from Ministries, Departments and Agencies (MDAs). In order to facilitate and not stifle its activities, Kacheeka Railways Authority (KRA) entered into an arrangement with Toyo Uganda Limited (TUL) to supply new vehicles to KRA to be used during the 4 years' period the ban is expected to last.

The agreement provided that KRA is responsible for all the running costs of the vehicles that include fuel, insurance, maintenance and an option of buying the vehicles at a price not above the market price when the ban is lifted.

TUL supplied 2 new 4WD Hilux pick-up trucks whose market value at time of the agreement was Shs 130 million each. The annual lease payments for each vehicle is Shs 40 million payable in arrears over a period of 4 years when the ban is in force and the guaranteed residual value is Shs 50 million. The interest rate implicit in the lease is 18%. It is KRA's policy to depreciate such similar assets at 10% per annum on cost.

Kacheeka Railways Authority prepares and presents financial statements under accrual basis of accounting.

Note: You may assume a present value interest factor and present value factor for an annuity of 0.516 and 2.690 respectively.

Required:

- (i) Discuss, with suitable computations, the accounting treatment of the above transaction in KRA's books of account in accordance with the relevant International Public Sector Accounting Standard.

(7 marks)

- (ii) Show extracts from the statements of financial performance and financial position for the first two years of the lease.

(8 marks)

- (b) IPSAS 19: Provisions, Contingent Liabilities and Contingent Assets requires certain information to be disclosed about contingent liabilities and contingent assets in the notes to the financial statements to enable users to understand their nature, timing, and amount.

Required:

- (i) Explain the difference between a provision and contingent liability.

(5 marks)

- (ii) Discuss the recognition criteria and measurement base(s) for a provision as prescribed by the Standard.

(5 marks)

(Total 25 marks)

Question 4

- (a) The Government of Uganda has put in place a number of institutions and bodies to ensure that funds appropriated for both recurrent and capital expenditure are utilised as per appropriations. However, there seems to be mixed perceptions in the public regarding the roles played by these institutions in relation to public finance management and abuse of public property. "Office of the Auditor General, State House Anti-corruption Unit, Inspectorate of Government, Financial Intelligence Authority—all seem to do the same work", remarked one of the participants in a recent Anti-corruption walk.

Required:

With reference to the Public Finance Management Act (PFMA), 2015 as Amended, National Audit Act, 2008 as Amended and any other relevant legislation, discuss the roles played by the following institutions/ bodies in public finance management:

- (i) Office of the Auditor General

(6 marks)

- (ii) Inspectorate of Government

(6 marks)

- (iii) Parliament of Uganda

(3 marks)

- (b) Financial statements provide users with information about an entity's resources and obligations at the reporting date and the flow of resources between reporting dates. This information enables users to assess an entity's ability to continue to provide goods and services at a given level and the level of resources that may need to be provided to the entity in future so that it can continue to meet its service delivery obligations.

Required:

With reference to relevant International Public Sector Accounting Standards (IPSASs), discuss the overall considerations in the presentation of financial statements in order to achieve the overall objective of financial reporting.

(10 marks)

(Total 25 marks)

Question 5

- (a) Mr Acedunai Ambrose is employed by the Ministry of Fairness and Justice as Principal Attorney (PA) and is regarded highly by his peers in the profession in terms of wealth of knowledge acquired over a relatively long period of service. It is also a well-known secret that Mr Acedunai Ambrose enjoys gossip and he is the “unofficial spokesperson” of his colleagues and the Ministry. He recently acquired an SUV Range Rover UBH series and was overheard telling one of his “evening classmates” at Club Sunset how a client gifted him with this vehicle in exchange for information on the case he was handling. It is also rumoured that he has vowed never to declare his income, assets and liabilities as required by the Leadership Code of Conduct. The conduct of Mr Acedunai Ambrose was recently a side topic of discussion by his peers in the workshop organised by his department where he was not a participant and they resolved to forward him for disciplinary action.

Required:

- (i) Advise Mr Acedunai Ambrose and his workmates on the work ethics and conduct for public officers in relation to secrecy and confidentiality of information and conflict of interest.

(11 marks)

- (ii) Discuss the challenges of enforcing the Leadership Code of Conduct.

(6 marks)

- (b) The Ministry of Domestic Affairs (MDA) through the Directorate of Immigration developed a new software system to enable quick and effective online application for and processing of passports as well as citizenship verification so as to improve service delivery.

During the financial year ended 30 June 2019, expenditure incurred for the development of the system was Shs 12 billion of which Shs 2.5 billion was incurred before 1 February, 2019 and Shs 9.5 billion was incurred between 1 February, 2019 and 30 June, 2019.

On 1 February 2019, MDA was able to demonstrate to the media and other stakeholders how the newly developed software system works and the tests on pilot passport prints were successful.

The recoverable service amount of the system including future cash outflows to complete the development before it is available for use is estimated to be Shs 3.2 billion which had already been provided in the budget for financial year 2019/ 2020.

Required:

Advise the Ministry of Domestic Affairs on the accounting treatment of the above expenditure in its books of account for year ended 30 June, 2019 in accordance with the relevant International Public Sector Accounting Standard.

(8 marks)

(Total 25 marks)

TEST PAPER 9

CPA (U) MARCH 2021

Question 1

- (a) The following trial balance, as at 30 June 2019, is for Bugiro Municipal Council (BMC):

	Dr Shs '000'	Cr Shs '000'
Motor vehicles	320,000	
Property	810,000	
Accumulated depreciation (1 July 2018):		
Motor vehicles		82,000
Buildings		125,000
Local service tax		25,000
Travels inland	83,250	
Allowances	56,500	
Bank accounts	226,000	
Property rates		15,000
Taxi park fees		80,000
Land fees		48,500
Transfers from Central Government		3,970,750
Transfers from other Local Governments		28,000
Fines		8,000
Sundry revenue		7,000
Pension contribution		45,000
Receivable from exchange transactions	8,000	
Health and environment	600,000	
Administration	722,000	
Internal audit	94,000	
Education	2,845,000	
Works	624,000	
Finance	97,000	
Staff advances	117,000	
Local hotel levy		29,320
Grants from development partners		1,886,823
Fund balance		259,357
Honorarium to Town Clerk	<u>7,000</u>	
	<u>6,609,750</u>	<u>6,609,750</u>

Additional information:

- 1 Bugiro Municipal Council (BMC) prepares its financial statements in accordance with International Public Sector Accounting Standards (IPSASs) on accrual basis.
- 2 It is the policy of BMC to depreciate its motor vehicles at 20% per annum and buildings at 5% per annum using reducing balance and straight-line methods respectively.
- 3 The value of land included under property is Shs 300 million. However, BMC had engaged a professional valuer to value its land since it had not done so for the last 20 years. The land was revalued to Shs 420 million but this was not reflected in the accounts.
- 4 Grants from development partners include Shs 1.5 billion conditional grant for construction of a modern market and the balance was unconditional. By the end of year, BMC had only met 80% of the financing conditions.
- 5 During the year, the taxi operators went on a week-long strike protesting the increase in loading and unloading fees in the park and an amount totaling to Shs 5.2 million was not collected during this period. The Municipal Council passed a resolution to waive this amount as uncollectable. Land fees totaling to Shs 8.3 million was prepaid by the year end.
- 6 During stock and cash count at the year end, it was realised that maintenance materials for works valued at Shs 124 million had not been consumed and cash Shs 14 million was found missing in December 2018. The senior cashier who was in-charge was prosecuted in the courts of law and dismissed. The money was, however, not recovered and is part of staff advances. Efforts by the Council to recover the money were futile as the cashier died without any known estate.

Required:

Prepare, for the financial year ended 30 June 2019, Bugiro Municipal Council's statement of:

- | | |
|---------------------------|-------------------|
| (i) Financial performance | (16 marks) |
| (ii) Financial position | (9 marks) |

(b) In accordance with the relevant International Public Sector Accounting Standard, discuss the:

(i) Disclosure requirements for inventories **(5 marks)**

(ii) Costs excluded from the cost of inventories and recognised as expenses in the period.

(3 marks)

(c) The following transactions of Kanyum Municipal Council took place during the year ended 30 June 2019:

Buildings carried at a revalued amount Shs 450 million were disposed of for Shs 430 million. The accumulated depreciation and revaluation surplus were Shs 80 million and Shs 75 million respectively.

The Council also acquired furniture and fixtures worth Shs 155 million during the year through part-exchange of old furniture at an agreed amount Shs 28 million and the balance was paid by cheque. At the time of the part-exchange, the old furniture had a cost Shs 62 million with accumulated depreciation Shs 30 million as per the records.

Required:

With reference to the above transactions, advise Kanyum Municipal Council on the:

(i) Journal entries to be passed **(4 marks)**

(ii) Gain or loss on disposal, if any **(4 marks)**

(d) The following revenue items were extracted from the books of Mayoga Local Government for the year ended 30 June 2019:

Details	Shs
1 Arrears brought forward at 1 July 2018:	
Property rates	350,000
Taxi park fees	3,025,867
Land fees	1,358,000
Investment income	2,000,000
Fines	561,879
Sundry revenue	2,584,365
Local hotel levy	52,400
2 Amounts billed and expected during the year:	
Property rates	7,500,000
Taxi park fees	62,540,250
Land fees	25,238,456
Investment income	12,560,000
Fines	3,245,684
Sundry revenue	4,500,061

- | | | |
|---|--|------------|
| | Local hotel levy | 2,025,800 |
| 3 | Amounts collected during the year: | |
| | Property rates | 7,500,000 |
| | Taxi park fees | 54,325,943 |
| | Land fees | 24,537,450 |
| | Investment income | 12,560,000 |
| | Fines | 3,807,563 |
| | Sundry revenue | 6,250,100 |
| | Local hotel levy | 1,978,526 |
| 4 | 10% of the taxi park fees collected remained unspent at year end. All investment income collected was transferred to the Uganda Consolidated Fund. | |

Required:

Prepare, for Mayoga Local Government, a statement of outstanding arrears of revenue (by source of revenue) with reference to the Government of Uganda Financial Reporting Templates, 2018.

(9 marks)

(Total 50 marks)

Question 2

- (a) Uganda National Agriculture Authority (UNAA) advertised in the national Gazette inviting bids for works, supplies and consultancy services for the financial year ending 30 June 2021. The process was all smooth until a whistle blower sent a dossier to the Inspectorate of Government questioning the choice of the procurement method (direct procurement) that UNAA had adopted to use as opposed to competitive procurement method. The dossier predicts likely loss to Government if UNAA is allowed to continue with the procurement process. It is also alleged that some bidders were disqualified by UNAA on baseless grounds. The Board of Directors of UNAA is concerned with the allegations raised in the dossier.

Required:

With reference to the Public Procurement and Disposal of Public Assets Act, 2015 (as amended) and PPDA Regulations, 2014, advise the board on the:

- (i) Basic qualifications criteria for all bidders in order to participate in public procurement or disposal.
(6 marks)
- (ii) Factors that determine the choice of procurement method to be used.
(4 marks)
- (iii) Circumstances under which direct procurement method may be used as opposed to competitive methods.
(6 marks)

- (b) The Inspectorate of Government and the Police recently launched parallel investigations into the disposal of public assets by Uganda National Gas Organisation (UNGO). However, they were alarmed by lack of information and records regarding what was disposed of by UNGO over the past financial years.

Required:

Prepare a memo to advise the management of UNGO on the records of disposal that must be maintained by a Procuring and Disposing Entity (PDE).

(9 marks)
(Total 25 marks)

Question 3

- (a) The Public Finance Management Act (PFMA), 2015 provides for establishment of the petroleum fund and for its overall management. As a specialist in public finance management, you have been invited to make a presentation to the Members of Parliament (MPs) on the Economy and Natural Resources Committee of the Parliament of Uganda.

Required:

Advise the MPs on the following:

- (i) Transfers of petroleum funds to the consolidated fund **(5 marks)**
 - (ii) Reports on petroleum fund to Parliament **(4 marks)**
- (b) The Government of Uganda (GoU) has, over the years, undertaken initiatives to improve the quality of public service outcomes. One of the initiatives and reforms was the introduction of the Integrated Payroll and Pension System (IPPS) in the management of human resource information.

Required:

Evaluate the benefits of implementing the IPPS in public finance management.

(7 marks)

- (c) "This is unacceptable behavior, Jude should be reported to the HR for disciplinary action", protested one of Jude's colleagues as he paced back and forth in the corridors. It was reported that Jude was becoming a habitual late comer who avoided duty at any slight opportunity. The other colleagues have resorted to covering him up since he was their friend. However, of late work, it is becoming too much since one of the staff quit for 'greener pastures'.

Required:

With reference to the Code of Conduct and Ethics for Uganda Public Service and the Public Service Commission Regulations, 2009, advise Jude and his colleagues on:

- (i) Attendance of duty. **(5 marks)**
- (ii) The action that will be taken against Jude for absenting himself from duty without reasonable cause.

(4 marks)

(Total 25 marks)

Question 4

- (a) The Ministry of Electricity (MoE) has been constructing Katamba electricity dam so as to increase its power supply in order to match the increasing industrialisation and development needs of the country. MoE has been capitalising interest costs of borrowed capital for construction of the dam. However, during a recent management meeting, it was resolved that these costs should be expensed as this would result in transparent and comparable treatment of finance costs and is in line with the Eastern and Southern African regional practices. The change was to commence during the financial year ended 30 June 2019. MoE capitalised borrowing costs incurred in the financial year ended 30 June 2018 Shs 3.38 billion and Shs 6.76 billion in years prior to 2018. All borrowing costs in prior financial years in respect of the construction of Katamba dam were capitalised.

The accounting records for the financial year ended 30 June 2019 show a surplus before interest Shs 25.1 billion and interest expense Shs 4.2 billion.

The Ministry had not yet recognised depreciation because the dam was not yet complete and ready for use.

MoE reported a surplus Shs 15.6 billion during the financial year ended 30 June 2018 with opening accumulated surplus Shs 30.3 billion.

The Ministry had Shs 250 billion of contributed capital throughout and no other components of net assets except for accumulated surplus.

Required:

Advise the management of MoE on the:

- (i) Accounting treatment of the above change in accounting policy in its financial statements in accordance with the relevant IPSAS.
(6 marks)
- (ii) Limitations of retrospective application of changes in an accounting policy.
(2 marks)

(b)

- 1 Uganda Road Network Authority (URNA) undertook to upgrade Kyapa road from gravel to class II bitumen road. It is the policy of URNA to compensate project-affected persons (PAPs) for all its projects.
During year ended 30 June 2019, URNA acquired a barrow pit for extraction of gravel for construction at a cost Shs 2.5 billion and it is estimated that the cost of restoration of the barrow pit is 15% of its

cost whereas construction of an access road will cost Shs 30 million. The extraction of gravel will affect the neighbouring community and it is estimated to cost URNA Shs 3.8 billion. By the financial year end, the gravel extraction had not yet commenced.

- 2 The Ministry of Community Health in 2017 guaranteed borrowing Shs 1.8 trillion from Exim Bank of India to International Health Corporation (IHC), a private company that specialises in provision of high quality health care services to the public at a fee. This guarantee caused a lot of debate on the consequences of this transaction on the consolidated fund. The amount borrowed was for construction of a high-tech specialised hospital. In May 2019, IHC filed for protection from its creditors due to the deteriorating financial conditions of its parent company which was partly financing the project.

Required:

Discuss the accounting treatment of the above transactions for the year ended 30 June 2019 in accordance with the relevant IPSAS.

(7 marks)

- (c) The objective of IPSAS 14: Events after the Reporting Date is to prescribe when an entity should adjust its financial statements for events after the reporting date; and the disclosures that an entity should give about the date when the financial statements were authorised for issue and about events after the reporting date.

Required:

Discuss the following in accordance with the Standard:

- (i) Events after the reporting date **(2 marks)**
(ii) Examples of adjusting events after the reporting date **(3 marks)**
- (d) In a bid to reduce its budget deficit, the Ministry of Elderly Persons, in January 2014, purchased a debt instrument with five years remaining to maturity for its fair value Shs 10 billion (including transaction costs). The instrument has principal amount Shs 12.280 billion and carries fixed interest rate of 5.1% that is paid annually. The contract specifies that the borrower has an option to prepay the instrument and that no penalty will be charged for prepayment. At the inception, the Ministry was not expected to prepay. The effective interest rate is 10%.

Required:

Calculate the amortised cost, interest revenue and cash flows of the debt instrument in each reporting period.

(5 marks)

(Total 25 marks)

Question 5

- (a) The Public Sector Conceptual Framework for general purpose financial reporting by public sector entities provides objectives of and the concepts for general purpose financial reporting.

Required:

- (i) Explain the key information needs of the users of public sector financial reports.

(7 marks)

- (ii) With reference to the Public Finance Management Act, 2015, assess the role played by internal audit in vote management.

(4 marks)

- (b) The Ministry of Finance (MoF) has organised a training workshop for its newly recruited staff mostly from the private sector to induct them into the public sector. MoF has chosen informed persons to facilitate in the workshop. You have been assigned to draft a brief to be presented at the training workshop.

Required:

Explain to the trainees:

- (i) The main features of public sector entities **(6 marks)**
(ii) Quasi-corporations **(2 marks)**
(c) On 1 July 2007, Kacheka District completed the construction of a Health Center IV at a total cost Shs 2.8 billion. The health center, estimated to serve about 100,000 patients per year, would be used for 70 years before major repairs could be needed.

During the financial year ended 30 June 2014, the number of patients reduced from 100,000 to 40,000 as a result of landslides and floods which forced the population to settle in the neighboring districts. With few patients to serve, the management decided to close 4 of the 7 wards constructed and they did not expect the number of patients to increase in the near future for the closed wards to be re-opened. The current replacement cost of one of the wards is estimated at Shs 900 million. The buildings and equipment are depreciated on straight-line basis over their useful lives.

Required:

Evaluate the impairment as in December 2014 using the depreciated replacement cost approach.

(6 marks)

(Total 25 marks)

TEST PAPER 10

CPA (U) OCTOBER 2021

Question 1

- (a) National Oil Company (NOC), a public entity entrusted with the management of Government oil reserves, has provided the following information extracted from its books of account for the financial year ended 30 June 2018:

Details	Approved Budget Shs '000'	Dr Shs '000'	Cr Shs '000'
Land	10,000,000	10,000,000	
Buildings (cost)		3,800,000	
Motor vehicles (cost)		400,000	
Machinery and equipment	1,400,000	1,320,000	
Transfers from Treasury	10,500,000		10,034,600
Transfers from other agencies	9,600,000		9,270,460
Multilateral development partners (Donors)	500,000		451,670
Cash and cash equivalent		326,721	
Receivables		560,629	
Payables			595,100
Motor vehicle maintenance costs	250,000	132,700	
Transfers to other Government units	450,000	316,700	
Accumulated depreciation:			
Buildings	500,000		108,000
Machinery and equipment	300,000		76,000
Motor vehicles	200,000		65,300
Staff salaries	8,693,600	6,093,641	
Travels inland	70,000	46,900	
Travels abroad	83,400	73,800	
Staff medical insurance	50,000	36,000	
Other staff costs	47,000	46,923	
Gratuity expenses	600,000	403,600	
Pension costs	156,000	23,700	
Revenue reserves			794,754
Fees from sale of rights of oil wells	2,200,000		2,185,430
		<u>23,581,314</u>	<u>23,581,314</u>

Additional information:

- 1 National Oil Company (NOC) prepares its financial statements on accrual basis in accordance with the International Public Sector Accounting Standards (IPSAS).
- 2 On 1 January 2018, NOC sold off its motor vehicle at Shs 50 million since it was becoming expensive to maintain. The cost of the motor vehicle was Shs 80 million and accumulated depreciation was Shs 12,300,000. This transaction had not been captured in NOC's books of account.
- 3 It is NOC's policy to depreciate its non-current assets at the end of each financial year using straight line method for buildings and machinery and equipment at 10% and reducing balance method for motor vehicles at 5%.
- 4 In 2018, Government authorised NOC to borrow money from Masaka Development Bank (MDB) for settlement of people where an oil pipeline is supposed to pass before work on its construction commences. It is NOC's policy to capitalise interest expense on loans for money borrowed for acquisition of assets. The interest charge for the year was Shs 200 million. After interfacing with the auditors, it was agreed with management that the interest expense should be expensed instead.
- 5 Maviiri Oil Company (MOC), one of NOC's debtors, was running one of the oil wells but due to financial difficulties following the death of Mr. Maviiri, the company was declared bankrupt. MOC had an outstanding balance Shs 120 million.
NOC realised, after reconciliations, that Shs 20 million expended on motor vehicle maintenance had been included in gratuity expense since the vote for motor vehicle maintenance had been depleted and the system could not allow any more charge on this vote.
- 6 NOC sold 2 oil wells to a foreign company, Ching Investments, for US\$ 572,000 of which US\$ 472,000 was paid instantly during the year when the exchange rate at the time of the transaction was 1:3,650. This revenue was captured under fees from sale of rights of oil wells. The exchange rate at the reporting date was 1:3,550. At end of the financial year, the balance had not been paid.

Required:

Prepare, for the financial year ended 30 June 2018, National Oil Company's statement of:

- (i) Financial performance **(16 marks)**
- (ii) Financial position **(7 marks)**

(iii) Appropriation as per Government of Uganda Financial Reporting Templates, 2018

(6 marks)

- (b) National Forests Board (NFB), a government agency mandated to manage public forest reserves, started a tree-planting project on large scale with an aim of selling the trees to counter the destruction of natural forests by timber dealers. NFB has a forest reserve at Kampisa and at 1 July 2016, the reserve had 1,000 four-year old pine trees. On the same date, 100 pine trees were planted while 200 pine trees were planted on 1 January 2017. The cost of a pine seedling at 1 July 2016 and 1 January 2017 was Shs 1,000 and at 30 June 2017 was Shs 1,200. No pine tree was cut or sold off during the financial year.

The per unit fair values less costs to sell were as follows:

Shs '000'

At 1 July 2016:

1-year old tree	25
4-year old tree	100

At 30 June 2017:

0.5-year old tree	15
1-year old tree	35
4-year old tree	120
5-year old tree	150

Required:

With reference to the relevant International Public Sector Accounting Standard, calculate, as at 30 June 2017, the:

- (i) Increase in fair value less costs to sell due to physical changes **(5 marks)**
- (ii) Increase in fair value less costs to sell due to price changes **(5 marks)**
- (iii) Fair value less costs to sell of Kampisa Forest Reserve **(3 marks)**
- (c) In financial reporting for public sector entities, it is mandatory to follow International Public Sector Accounting Standards (IPSAS) since they guide on the recognition, measurement, presentation and disclosure requirements in relation to transactions and events necessary to produce general purpose financial reports.

Required:

Discuss the merits of application of IPSAS by public sector entities in financial reporting.

(8 marks)

(Total 50 marks)

Question 2

- (a) The Public Procurement and Disposal of Public Assets (Amendment) Act, 2011 regulates the public procurement and disposal process through a chronology of stages or key activities where contract management features as one of the stages involved.

Required:

Discuss, with reference to the above statement, the challenges faced by the procuring and disposing entity (PDE) in contract management.

(5 marks)

- (b) In 2010, the Government of Uganda, through funding by World Bank, constructed Bukesu Primary School in Busongola District, a hilly place at a cost Shs 1.2 billion. The school's estimated useful life is 60 years.

In 2018, Busongola District suffered disastrous landslides due to heavy rains in the area. As a result, the school block of 6 floors developed a crack. Management spent Shs 500 million to fix the crack and get clearance from the District Engineer to use this block again.

When Government relocated some families to Ikiki District, the school enrolment dropped from 2,000 to 400 pupils. Management has decided to close off 3 floors and the current replacement cost of a floor is Shs 300 million. The fair value less costs to sell of the building is Shs 790 million.

Required:

Compute the impairment and recoverable service amount of the school using the service units approach in accordance with the relevant International Public Sector Accounting Standard.

(12 marks)

- (c) Public sector financial reporting is designed for different stakeholders who have different information needs or questions they seek to be answered. These information needs range from how public resources are utilised to provision of services to tax payers. A uniformed framework of financial reporting must meet the different stakeholders' information needs.

Required:

Discuss the core aspects that public sector financial reporting should address regarding stakeholders' information needs.

(8 marks)

(Total 25 marks)

Question 3

- (a) Financial Intelligence Agency (FIA) is a public entity mandated to monitor, investigate and prevent money laundering within the economy. Due to the influx of investors from Sangomaland, there has been a lot of money laundering activities and this is affecting the stability of the economy.

In 2012, in order to avert the problem, Cabinet resolved that a monitoring system be put in place. On 20 May 2013, FIA launched a software system that could detect money laundering with an aim of eradicating the vice. This system met the recognition criteria of an intangible asset.

At a press briefing, it was noted that FIA had spent Shs 5 billion on research and development of this system.

At year end (30 June 2013), the expenditure code for the system showed that Shs 6.5 billion had so far been spent.

At 30 June 2014, the expenditure code for the system had a balance Shs 3 billion and on the same date, the recoverable service amount of the system was estimated to be Shs 3.2 billion.

Required:

Prepare, basing on the above information, extracts from the statements of financial position and financial performance for the two financial years in accordance with the relevant International Public Sector Accounting Standard.

(9 marks)

- (b) IPSAS 23: Revenue from Non-Exchange Transactions (Taxes and Transfers), like other standards, aims to improve general purpose financial reporting. Non-exchange revenues form a bigger part of revenue for public sector entities.

Required:

In accordance with the Standard, discuss:

- (i) Its objective and scope **(2 marks)**
(ii) The recognition and measurement of revenue from non-exchange transactions

(6 marks)

- (c) Discuss the challenges likely to be faced by government entities in the implementation of the International Public Sector Accounting Standards.

(8 marks)

(Total 25 marks)

Question 4

- (a) Kabarwa Municipal Council (KMC) is one of the new local governments recently approved by Parliament. In preparation for its inauguration, KMC has invited you to present at an induction seminar organised to sensitize its newly appointed heads of department about the regulations and requirements regarding their departments as provided for in the Local Governments Act, 1997 as amended and other regulations.

Required:

Discuss the Local Government Institutional Framework for financial reporting in Uganda.

(8 marks)

- (b) Kalinga District Local Government (Kalinga DLG), a border district with Kenya, anticipated an invasion of the deadly desert locusts and applied to the Ministry of Finance for supplementary financing to enable them handle this problem. Upon receipt of the request, the ministry advised Kalinga DLG to prepare a cash flow budget for the first six months of the financial year ending 30 June 2022 since a presentation was required to be made to Cabinet to justify this supplementary funding.

The annual estimates for Kalinga DLG for the financial year ending 30 June 2022 are presented below:

Details	Amount Shs '000'
Taxation	2,880,000
Sale of goods and services	1,776,000
Government releases	1,820,000
Donor funds	4,080,000
Other receipts	1,200,000
Proceeds from sale of PPE	1,987,000
Employee costs	1,668,000
Goods and services	3,420,000
Pension	1,260,000
Domestic arrears	1,380,000
Construction of school structures	4,958,000
Allowances	390,000
Staff medical costs	540,000
Purchase of motor vehicle	140,000

Additional information:

- 1 Kalinga DLG's statement of financial position as at 30 June 2021 showed a cash and cash equivalent balance Shs 132, 000,000.
- 2 Government releases are realised at the beginning of each quarter.
- 3 The sale of PPE to be effected in the month of December 2021.
- 4 Domestic arrears to be paid in the second month of each quarter for the first three quarters.
- 5 Construction of school structures to be done in the first month of the fourth quarter.
- 6 The motor vehicle was purchased on 25 September 2021.
- 7 All other expenses and revenues are expected to accrue evenly on monthly basis throughout the year.
- 8 Due to the invasion of the locusts in Kenya, it is likely that Kalinga DLG will be affected and a supplementary budget of Shs 1.5 billion has been appropriated by Parliament for this expected calamity and will be spent in the second quarter of the financial year.

The budget breakdown is shown below:

Details	Amount (Shs)
Purchase of drugs from Japan	470,000,000
Purchase of motorised spray pumps	120,000,000
Allowances for members of the Task Force	264,000,000
Transport costs	108,000,000
Accommodation for Technical staff from the Ministry of Insects Management	326,000,000
Hire of drone spray pumps	212,000,000

Required:

Prepare Kalinga DLG's cash flow budget for the first six months of the financial year ending 30 June 2022 with reference to the Local Governments Financial and Accounting Manual, 2007

(17 marks)

(Total 25 marks)

Question 5

- (a) Mr. Mbalangu, a registrar attached to Bukakata High Court, was recently accused by one Ms. Nabisere, a female court worker, of sexual harassment and conflict of interest since his son manages the court canteen. After consultations with other court workers, Ms. Nabisere was advised not to report the matter to the President of Registrars but instead report it to the Inspectorate of Government (IG). She has consulted you for further advice on the right steps to take.

Required:

With reference to the Code of Conduct and Ethics for Uganda Public Service, explain:

- (i) Sexual harassment and conflict of interest **(2 marks)**
- (ii) The role of the Inspectorate of Government in enforcement of work ethics in regard to sexual harassment and conflict of interest. **(4 marks)**

- (b) Following your appointment as Financial Management Specialist at Masaka Support Fund under the Ministry of Local Affairs, you have been nominated to make a presentation about the Public Finance Management Act, 2015 as amended at a workshop organised for District Chief Finance Officers.

Required:

Discuss the following as provided for by the Act:

- (i) Powers of the Secretary to the Treasury **(2 marks)**
 - (ii) Regulations on appropriation **(4 marks)**
 - (iii) Why virement of a vote might not be authorised **(2 marks)**
 - (iv) Duties of the Accountant General **(4 marks)**
- (c) Mpala Town Council usually holds weekly management meetings where key management issues are discussed. In one of such meetings, the Town Clerk reported that both internal and external audits were about to commence. He directed the Accounts staff to prepare to participate in these activities but the Health Inspector wondered what the role of Accounts staff in these audit exercises was! The Town Clerk has nominated you, the Accountant, to give a reply to the Health Inspector since you had represented the Town Treasurer who was away on study leave.

Required:

Discuss the role of Accounts staff in:

- (i) Internal audit exercise **(2 marks)**
- (ii) External audit exercise **(5 marks)**

(Total 25 marks)

TEST PAPER 11

CPA (U) DECEMBER 2021

Question 1

AGS Authority (AGS) is a semi-autonomous public entity under the Ministry of Agriculture and Animal Resources (MAAR) established to play a leading role in the commercialisation of animal breeding activities in Uganda and carry out development activities that enhance animal genetic improvement and productivity.

The following draft statements of financial performance (based on classification of expenditures by nature) and additional information to be incorporated are for AGS Authority:

	30 June 2019 Shs '000'	30 June 2018 Shs '000'
Operating revenue:		
Locally generated revenue	357,750	69,188
Central Government grants	1,107,000	221,400
Donor funds	645,750	129,150
Transfers received from other Government units	<u>483,500</u>	<u>36,900</u>
Total revenue	2,594,000	456,638
Operating expenses:		
Employee costs	410,000	82,000
Goods and services consumed	743,000	148,600
Consumption of property, plant and equipment	26,000	5,200
Transfers to other organisations	7,000	1,400
Social benefits	235,500	47,100
Other expenses	<u>720,000</u>	<u>146,800</u>
Total operating expenses	2,141,500	431,100
Surplus/ (deficit) from operating activities	452,500	25,538
Finance costs	(22,500)	(4,500)
Foreign exchange gain/ loss	900	300
Transfers to Treasury	(20,000)	(4,000)
Impairment losses	-	(12,000)
Surplus/ (deficit) for the year	410,900	5,338

Additional information:

- 1 During the year, AGS received conditional grants from the central Government Shs 26 million for the purchase of additional 13 bulls to be kept for breeding purposes and semen extraction. By the yearend, only 5 bulls had been purchased at Shs 10 million. The Shs 26 million was included in the Central Government grants figure in the statement of financial performance but no adjustments had been made for the Shs 10 million spent on purchasing the 5 bulls.
- 2 A new plant was acquired to produce liquid nitrogen that is used to keep semen viable for longer periods. The plant was purchased at Shs 20 million on 1 July 2016 and has a useful life of 20 years. On 30 June 2018, the plant was revalued to Shs 19.6 million whereas on 30 June 2019, an impairment review indicated that the recoverable service amount for the plant was Shs 11 million.
- 3 On 1 July 2018, AGS had sixteen 3-year old bulls whose fair value was Shs 1,600,000 each. On 31 December 2018, five 3.5-year old bulls were purchased at Shs 2,000,000 each and on the same date, three calves were born. The fair value of a new born was estimated at Shs 500,000. These bulls were meant for future semen production for better breeding purposes and must be accounted for in accordance with IPSAS 27—Agriculture by indicating the physical and price changes in the market.

At 30 June 2019, market information revealed the following:

Bull category	Fair value less costs to sell (in Shs)
New born	800,000
0.5-year old	900,000
3-year old	2,000,000
3.5-year old	2,500,000
4-year old	3,500,000

- 4 At the end of the period, the entity also had the following:
 - (a) 1,000 trays of eggs not yet sold. The fair value of eggs at the time they were harvested was Shs 12,000 per tray. The entity had entered into a contract to supply these eggs on 1 July 2019 to one of its agents in a supply chain at a contract price Shs 10,000 per tray.
 - (b) 400 doses of semen held for sale to Ugandan farmers. This semen was imported at a market price Shs 20,000,000 and is for Romagnola breeds. The demand for rearing Romagnola animals has gone down due to the general public preference for New Zealand

breeds. The entity has established that it will only be able to sell each dose of Romagnola semen at Shs 35,000 which is the market price per dose due to forces of demand and supply.

- 5 In November 2018, the entity received additional funds from donor agencies Shs 90,540,000. These funds were appropriated in an approved supplementary budget to cater for the following: Goods and services consumed Shs 26,000,000; capital expenditure for acquisition of property, plant and equipment Shs 43,500,000 and social benefits Shs 21,040,000. The entity also made re-allocations of Shs 32,000,000 from other expenses to: Goods and services consumed Shs 22,000,000 and transfers to other organisations Shs 10,000,000.

During the period, the entity purchased property, plant and equipment at a cost Shs 454,000,000 and the finance costs totalled to Shs 22,500,000.

- 6 AGS Authority's original approved budget 2018/ 2019 is presented below:

	Shs '000'
Revenue:	
Locally generated revenue	287,000
Central Government grants	1,500,625
Donor funds	700,479
Transfers received from other Government units	247,000
Total revenue	<u>2,735,104</u>
Expenditure:	
Employee costs	500,368
Goods and services consumed	684,032
Acquisition of PPE	410,000
Transfers to other organisations	10,000
Social benefits	345,461
Other expenses	758,422
Finance costs	26,821
Total expenditure	<u>2,735,104</u>

- 7 AGS uses cash basis as budgetary basis and accrual basis of accounting for preparing financial statements in accordance with International Public Sector Accounting Standards (IPSAS).

Required:

- (a) Prepare journal entries for all necessary adjustments to be made in the statement of financial performance in respect of the above additional information.
(Clearly, show all necessary workings)
(28 marks)
- (b) Prepare an extract from the statement of financial performance to show how the above adjustments are presented.
(6 marks)
- (c) Prepare, using the information provided, an additional statement that complies with IPSAS 24—Presentation of Budget Information in Financial Statements.
(12 marks)
- (d) Discuss the disclosure requirements under IPSAS 27—Agriculture.
(4 marks)
- (Total 50 marks)**

Question 2

- (a) The Public Procurement and Disposal of Public Assets (PPDA) Act, 2003 as amended requires a procuring and disposing entity (PDE) to establish a procurement and disposal unit (PDU) to assist in the execution of its mandate in accordance with the Act, regulations and guidelines made under the Act.

Required:

Examine the role of a procurement and disposal unit as prescribed by the relevant law and the powers it should have to perform effectively.

(13 marks)

- (b) One of the core functions of Parliament is the oversight role. It exercises this role by authorising Government policies and monitoring the budget and utilisation of public funds. It is done by ensuring transparency and accountability in the application of public funds through setting up accountability committees.

Required:

Discuss the responsibilities of Parliament and public accountability committees with respect to executing the oversight role on utilisation of public funds.

(7 marks)

- (c) The International Public Sector Accounting Standards (IPSAS) are developed to guide in the preparation of general purpose financial reports for public sector entities whereas the International Financial Reporting Standards (IFRS) are meant to guide in the preparation of general purpose financial statements for private sector entities. Public sector entities primarily exist to fulfil objectives that are different from those of private sector entities.

Required:

Discuss the underlying differences between the public sector and private sector.

(5 marks)

(Total 25 marks)

Question 3

- (a) Given that the public sector represents a principal-agent relationship, its officials, acting as the principal's agents, must periodically account to the principal for the use and stewardship of resources entrusted to them. In view of this, the Auditor General audits and reports on public accounts of all public sector entities, including courts, central and local government administrations, public universities and other public institutions.

Required:

Discuss the role of external audit in public financial management and reporting.

(8 marks)

- (b) Uganda Infrastructural Development Authority (UIDA) is a public entity established under an Act of Parliament. UIDA obtained funds and constructed a 26-storey office building at a cost Shs 2,400 million for its use and not for generation of future cash flows. The building was put to use on 1 July 2004 and its useful life was estimated to be 60 years. In June 2019, the new regulations on national safety and security measures required that the top 6 storeys of high rise buildings should be left unoccupied for a foreseeable future. The building had a fair value less costs to sell Shs 1,350 million in 2019 when the regulations came into force. The current replacement cost of a similar 26-storey building is Shs 2,550 million.

Required:

- (i) Calculate the impairment loss for the building, using the service units approach in accordance with IPSAS 21—Impairment of Non-Cash Generating Assets.

(9 marks)

- (ii) Discuss the indicators of impairment of assets as prescribed by the Standard.

(4 marks)

- (c) The Government of Uganda is in the process of considering the adoption of full accrual accounting.

Required:

Present a case in support of accrual basis of accounting.

(4 marks)

(Total 25 marks)

Question 4

- (a) Public sector entities have special reporting requirements that involve showing in their financial statements and reports how money is spent rather than how much profit is earned.

Required:

Explain the following as applied in public sector accounting and reporting:

- (i) Fund accounting and its objectives **(6 marks)**
- (ii) Entity accounting **(2 marks)**
- (iii) Modified cash basis of accounting **(2 marks)**
- (iv) Operational and reporting requirements of the Contingencies Fund as per the PFM Act, 2015 as amended

(11 marks)

- (b) Financial instruments give rise to financial assets or financial liabilities or equity instruments that must be recognised in financial statements of a public sector entity. IPSAS 30—Financial Instruments: Disclosures requires an entity to provide disclosures in the financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance. Financial instruments expose the entity to risks such as liquidity risk, credit risk and market risk.

Required:

Discuss the qualitative and quantitative disclosure requirements regarding the risks that arise from financial instruments in accordance with the Standard.

(4 marks)

(Total 25 marks)

Question 5

- (a) Uganda public officers, like any other citizen, are subject to laws of Uganda. The Code of Conduct and Ethics for Uganda Public Service, as a complement to existing laws and regulations, is intended to guide public officers in their behaviour and how they relate to each other and the public.

Required:

Explain the guiding principles that should be followed by public officers as laid down in the Code of Conduct and Ethics for Uganda Public Service.

(10 marks)

- (b) You are the Chief Finance Officer (CFO) of Kanaaba District Local Government. The Executive committee and Council of Kakonko District, a newly created local government, have invited you to make a presentation in a workshop organised to guide new staff members in various aspects of local government administration.

Required:

With reference to the Local Governments Act, 1997 as amended, explain the following:

- (i) Appointment of Local Government Public Accounts Committee members.

(3 marks)

- (ii) Functions of the Local Government Public Accounts Committee.

(4 marks)

- (iii) Functions of the District chairperson.

(8 marks)

(Total 25 marks)

TEST PAPER 12

CPA (U) MARCH 2022

Question 1

Panya Municipal Council (Panya MC) was established in 1999 following Government policy on decentralization to ensure that people receive basic services that include water supply, sewage management and disposal, garbage removal, electricity and gas supply, health services, roads, bridges and storm water drainage, street lighting, among others. Following consultations with the Ministry of Local Councils, Panya MC clearly demarcated divisional councils through which it would fulfil her mandate.

- (a) In 2003, Panya MC acquired 100% ownership of NKK Community Services Corporation (NKK) and KMC Division Utilities Corporation (KMC) to help in discharging most of her statutory obligations. The following consolidated financial statements, provided by the head of finance, are for Panya MC and her controlled entities:

Statement of financial performance for the financial year ended 30 June 2020:

	June-2020 Budget Shs 'million'	June-2020 Actual Shs 'million'	June-2019 Actual Shs 'million'
Revenue:			
Property rates	100,097.41	101,080.72	95,613.85
Fees and user charges	56,633.39	59,162.46	59,357.36
Grants	12,047.18	14,878.95	12,429.46
Other income	12,646.22	21,774.51	20,663.00
Obligatory reserve fund	<u>13,771.25</u>	<u>12,460.03</u>	<u>4,741.86</u>
Total revenue	195,195.45	209,356.67	192,805.53
Expenses:			
Transfers to other			
Government units	22,859.64	27,015.80	23,130.23
Protection services	39,429.93	40,020.97	39,630.77
Transportation services	21,684.03	40,098.85	38,823.71
Waste management	10,326.87	12,436.21	12,120.12
Water and waste water	28,309.92	38,321.11	39,814.02
Health services	811.30	667.51	775.24
Recreation and cultural			
services	19,093.97	23,623.01	21,682.05
Planning and development	<u>11,699.34</u>	<u>10,978.77</u>	<u>9,090.82</u>
Total expenses	154,215.00	193,162.23	185,066.96

Surplus/ (deficit) for the period	40,980.45	16,194.44	7,738.57
Accumulated surplus at year start	1,364,179.22	1,364,179.22	1,356,440.63
Accumulated surplus at year end	1,405,159.67	1,380,373.66	1,364,179.2

Statement of financial position as at 30 June:

	2020 Shs 'million'	2019 Shs 'million'
Assets:		
Financial assets:		
Cash	130,160.11	117,917.11
Temporary investments	199,811.07	142,738.69
Taxes receivable	17,478.19	23,257.30
Trade and other receivables	25,002.39	24,328.24
Long-term receivables	<u>29,884.39</u>	<u>32,661.89</u>
Total financial assets	402,336.15	340,903.23
Non-financial assets:		
Inventory of supplies	299.35	300.99
Prepaid expenses	539.33	957.32
Property, plant and equipment (PPE)	<u>1,167,657.32</u>	<u>1,181,279.23</u>
Total non-financial assets	1,168,496	1,182,537.54
Total assets	1,570,832.15	1,523,440.77
Liabilities:		
Accounts payable and accrued liabilities	72,603.93	66,893.01
Solid waste closure and post-closure liabilities	10,905.16	10,260.31
Post-employment benefits liabilities	102.38	131.81
Deferred revenue	76,663.26	47,816.76
Long-term liabilities	<u>30,183.76</u>	<u>34,159.68</u>
Total liabilities	190,458.49	159,261.57
Represented by:		
Net assets		
Accumulated fund/ surplus	1,380,373.66	1,364,179.2

Additional information:

- 1 The Municipal Council uses accrual basis of accounting.
- 2 In June 2020, NKK obtained stock of maintenance materials from Panya MC costing Shs 270,000. Panya MC expensed the stock in her surplus/ deficit account. However, NKK completely omitted the

transaction in her accounts that were consolidated. At 30 June 2020, the materials remained in NKK's stores.

- 3 Solid waste closure and post-closure liabilities include final covering and landscaping of the landfill, removal of ground water and leachates, environmental monitoring, site inspection and maintenance. The landfill post closure liability is based on the estimated remaining capacity of the site's opened cells. The remaining capacity of the site's opened cells is estimated at 1,086 cubic meters, which will be filled in 32 years (2053). Post-closure care is estimated to continue for a period of 47 years. Site closure costs in 2053 are estimated at Shs 7,429.88 million. Post closure costs, including monitoring and maintenance, are estimated at approximately Shs 589.466 million per year over the 50-year monitoring period. The liability for the landfill site is recorded at Shs 10,905.16 million in 2020 and Shs 10,260.31 million in 2019 in accordance with International Public Sector Accounting Standard (IPSAS) 19 based on closure and post-closure costs for 35% of the site's capacity, using the Municipality's average long-term borrowing rate of 2.27%. The Town has a landfill reserve to help fund a portion of the liability. During 2020, there were no transfers to or from this reserve. The balance of this reserve at 30 June 2020 is Shs 1,468.35 million.
- 4 Panya MC provides certain post-employment benefits to retired employees who meet certain requirements upon retirement. These include cost of extended health benefits and life insurance for the retired employees. The obligation to provide post-employment benefits arises as the employees render services in return for post-employment benefits which the entity expects to pay in future reporting periods. However, no payment was made in 2020. The assumptions used reflect management's best estimates and the amounts were properly accounted for during the period. The post-employment benefits liability in the financial statements was determined using a discount rate of 4.65%. For health and life insurance costs, a 2.67% annual rate of increase was assumed for 2020 and forward.

- 5 The property, plant and equipment in the statement of financial position comprises the following:

Panya MC

	Cost at beginning of financial year (Shs 'million')	Purchase of additional assets (Shs 'million')	Accumulated depreciation at beginning of financial year (Shs 'million')
Land	143,254.89	1,798.34	-
Buildings	125,143.53	1,661.51	47,617.03
Machinery, equipment and vehicles	93,675.08	4,958.32	45,895.82
Water system	147,345.81	1,907.54	48,404.84
Sewer system	201,021.29	380.56	44,854.33
Roads	283,295.33	3,511.37	150,868.67
Work in progress	6,171.81	2,349.58	-

NKK Community Services Corporation assets:

	Cost at beginning of financial year (Shs 'million')	Purchase of additional assets (Shs 'million')	Accumulated depreciation at beginning of year financial (Shs 'million')
Buildings	62,571.77	830.76	23,808.51
Machinery, equipment and vehicles	46,837.54	2,479.16	22,947.91
Water system	73,672.91	953.77	24,202.42
Sewer system	100,510.64	190.28	22,427.16
Roads	141,647.66	1,755.68	75,434.33
Work in progress	3,085.90	1,174.79	-

KMC Division Utilities Corporation assets:

	Cost at beginning of financial year (Shs 'million')	Purchase of additional assets (Shs 'million')	Accumulated depreciation at beginning of year financial (Shs 'million')
Buildings	62,571.77	830.76	23,808.51
Machinery, equipment and vehicles	46,837.54	2,479.16	22,947.91
Water system	73,672.91	953.77	24,202.42
Sewer system	100,510.64	190.28	22,427.16
Roads	141,647.66	1,755.68	75,434.33
Work in progress	3,085.90	1,174.79	-
Total	1,856,560.58	31,336.10	675,281.35

- 6 At year end, some assets of the group were disposed of through auctioning process and others, decommissioned. The disposals were accounted for in accordance with IPSAS requirements, with gains or losses adjusted in other incomes. The details of disposal are as follows:

- (a) A building that had cost Shs 92.78 million was disposed of at Shs 53.11 million.
- (b) Machinery that cost Shs 9,994.28 million was disposed of at Shs. 212.43 million.
- (c) Work in progress (WIP) costing Shs 327.91 million was disposed of at Shs 182.94 million.
- (d) Water system costing Shs 201.78 million and sewer system costing Shs 319.17 million were also written off at no proceeds.
- (e) Accumulated depreciation for the building, machinery, water system and sewer system was Shs 16.7 million; Shs 7,361.18 million; Shs 201.78 million and Shs 319.17 million respectively.

- 7 At the beginning of the financial year, transfers of Shs 7,724.66 million were made from the WIP account for PPE to: Buildings Shs 1,524.83 million; machinery, equipment and vehicles Shs 296.2 million; water system Shs 201.47 million; sewer system Shs 0.30 million and roads Shs 5,701.86 million.

- 8 It is Panya MC Group's policy to depreciate the non-current assets using reducing balance method. The following rates are applied in calculating depreciation:

	Rate (%)
Buildings	5.0156
Machinery, equipment and vehicles	9.6755
Water system	1.9332
Sewer system	1.5640
Roads	5.7093

Required:

- (i) Prepare Panya MC Group consolidated cash flow statement for the financial year ended 30 June 2020, using indirect method in accordance with the relevant International Public Sector Accounting Standard. You may not reproduce comparative figures.
(13 marks)
 - (ii) Prepare the group's property, plant and equipment schedule. Show clearly all necessary workings.
(25 marks)
 - (iii) Discuss the rights that, individually or in combination, give an entity power over another entity.
(6 marks)
- (b) During a recent meeting, the Municipal Council's head of finance noted that preparers of financial statements need to acquaint themselves with all concepts, principles and standards that offer guidance on preparation and presentation of financial statements. He thus proposed a refresher training session for staff charged with financial reporting in which these and other aspects pertaining to financial reporting would be discussed and designated you to facilitate at the session.

Required:

Discuss the following:

- (i) Guidelines on materiality and aggregation as per IPSAS 1 **(4 marks)**
- (ii) Consistence of presentation **(2 marks)**

(Total 50 marks)

Question 2

- (a) The Public Procurement and Disposal of Public Assets Act (PPDA) and PPDA Regulations were put in place to provide guidance on procurement and disposal of assets by public sector entities. The Regulations provide guidance on contracts management, explaining the various techniques used in contract cost control and management, among other aspects.

Required:

- (i) Describe the techniques that public sector entities use in contract cost control and management.

(14 marks)

- (ii) Discuss the challenges faced in contract management that originate from the procurement and disposal entity.

(5 marks)

- (b) The Code of Conduct and Ethics for Uganda Public Service sets out standards of behavior for public officers in the Uganda Public Service that are intended to guide them in their behavior and how they relate with each other and the public.

Required:

Advise public officers on handling of gifts and bribes as guided by the Code of Conduct and Ethics for Uganda Public Service.

(6 marks)

(Total 25 marks)

Question 3

- (a) The Printing and Publications Agency (PPA), established in 1992 under the Ministry of Information and Publications (MOIP), has mandate to supply stationery and printing and publishing services to all Government of Uganda ministries, departments and agencies (MDAs). The Agency does not exist to make profits but to support MDAs in their operations.

During the year 2009, the Ministry of Finance allocated Shs 126 million for the purpose of purchasing a flexographic printing machine. It is estimated that the machine will be used for the next 30 years to produce about 240 million copies with annual production levels that meet the demands of the different MDAs.

During the year 2020, the machine developed a mechanical problem which was later on fixed. It was also established that the cost of a similar

flexographic printing machine would be Shs 96 million. However, an assessment report issued by the Agency's technical team indicated that production levels of the machine have dropped to 65% of the expected annual output levels which may affect the output for the remaining useful life of the machine.

Required:

- (i) Advise, with suitable computations and in accordance with the relevant IPSAS, the head of finance of MOIP on the accounting procedures required in 2020 for the flexographic printing machine based on the above circumstances.
(The entity uses accrual basis of accounting and the service units approach method is applied).

(12 marks)

- (ii) Explain the possible indicators of expiry of or decrease in impairment loss recognised in prior periods for an asset as per the Standard above.

(4 marks)

- (b) The Ministry of Information and Publications (MOIP) collects rental fees through letting out part of its premises to the Ministry of Home Affairs. For the year 2020, MOIP discovered that rental revenue Shs 8.52 million reported in total revenue related to 2019 but had been erroneously omitted in that period. The financial records for 2020 indicated the following: Rental revenue Shs 37.5 million; total revenue Shs 42 million and expenses Shs 9.7 million.

Below is an extract from the financial records for 2019:

	Shs '000'
Rental fees	24,000
Revenue from digital data transfer	14,500
Miscellaneous revenues	4,456
Total revenue	42,956
Expenses	14,000
Surplus	28,956

In 2019, the opening accumulated surplus was Shs 6 million and closing accumulated surplus was Shs 14 million. The entity had no other items of revenue or expenses. The entity had Shs 50 million of contributed capital throughout and no other components of net assets/ equity, except for accumulated surplus.

Required:

Prepare, for MOIP, extracts from the statement of financial performance and statement of changes in equity to show how the errors will be corrected as per IPSAS 3 guidelines.

(9 marks)

(Total 25 marks)

Question 4

The Public Finance Management Act was put in place to provide for public financial management in Uganda. The Act gives guidelines on budgeting in the public sector, establishment of the Contingencies Fund; Consolidated Fund and commitments against the Consolidated Fund; public debt, grants and guarantees; accounting and audit; petroleum revenue management, among other aspects.

The Office of the Auditor General, in effort to enhance knowledge of the requirements of the Act, has organised a refresher course for its staff and requested you, the Principal Auditor, to present on various aspects of public financial management as provided for by the Act.

Required:

Discuss the following as applied to public sector accounting and reporting:

- (a) Strengths and weaknesses of the cash basis of accounting **(7 marks)**
- (b) Establishment of the Contingencies Fund and its accounting/ reporting requirements.

(11 marks)

- (c) Withdrawal of funds requirements and end of financial year guidelines for the Contingencies Fund.

(7 marks)

(Total 25 marks)

Question 5

- (a) The Office of the Accountant General has just recruited 12 new staff who are required to carry out different roles to enable the Office discharge its roles as stipulated in the Public Finance Management Act, 2015 (as amended).

As a Senior Accountant at the Office of the Accountant General, you are required to participate in orientation of the new staff during their first week of reporting for work.

Required:

Explain the:

- (i) Responsibilities of the Accountant General as stipulated in the Act.
(5 marks)
- (ii) Duties of the Accountant General for each Government of Uganda vote.
(12 marks)
- (b) As a transitional arrangement towards the adoption of full accrual basis of accounting, all Government of Uganda votes are required to maintain their books of account and record Government transactions using the modified accrual basis of accounting.

The Local Governments Financial and Accounting Manual, 2007, provides that Local Government Councils will maintain books of account which include, among others vote books, abstracts, general and subsidiary ledgers.

Required:

Describe the:

- (i) Features of a general ledger as prescribed by the Manual.
(3 marks)
- (ii) Nature of application of the principles of modified accrual basis in budgetary accounting, giving reasons for its application in public sector entities.

(5 marks)

(Total 25 marks)

TEST PAPER 13

CPA (U) JUNE 2022

Question 1

- (a) Kasaaka Municipal Council has provided the following trial balance extracted from their books of account for the financial year ended 30 June 2020:

	Debits Shs '000'	Credits Shs '000'
Cash and bank	56,500	
Buildings	720,700	
Motor vehicles	230,900	
Equipment	736,400	
Inventory	124,900	
Property rates		32,140
Land fees		119,600
Allowances	38,450	
Biological assets at 1 July 2019	583,141	
Local hotel tax		73,480
Local service tax		112,300
Administration	42,080	
Finance	98,500	
Production	156,400	
Health	2,359,870	
Education	3,495,700	
Works	820,900	
Internal audit	32,100	
Accumulated depreciation at 1 July 2019		
Buildings		145,000
Motor vehicles		86,000
Equipment		116,700
Transfers from central Government		4,570,986
Transfers from other Government units		2,400,000
Net worth at 1 July 2019		1,240,335
10-year bank loan		<u>600,000</u>
	<u>9,496,541</u>	<u>9,496,541</u>

Additional notes:

- 1 Kasaaka Municipal Council (KMC) prepares its financial statements on accrual basis of accounting in accordance with International Public Sector Accounting Standards (IPSAS).
- 2 On 1 July 2019, KMC disposed of one of its motor vehicles that was used by the previous Mayor for Shs 25,000,000. The motor vehicle had become costly to maintain. It was acquired 5 years ago at Shs 40,000,000. However, this transaction was not reflected in the books of account.
- 3 It is KMC's policy to depreciate motor vehicles and equipment at 10% per annum on reducing balance basis and buildings at 20% per annum on straight line basis.
- 4 In July 2019, KMC acquired a 10-year 15% per annum bank loan from Credit Reference Bank (CRB) for expansion of the Municipal offices. The construction started after 3 months because of the delays in the procurement process. However, construction was suspended on 1 April 2020 due to the country-wide lockdown to curb COVID-19 and therefore, movements were restricted. No entry on borrowing costs had been made. It is the policy of CRB to always recover 60% of the earned interest at the yearend for each policy.
- 5 Included in the inventory is a stock of bitumen that cost Shs 44,900,000. It had expired and could not be used for road construction but has been sold to Moroto Copper Industries to be used in their furnace. They have agreed to pay Shs 26,000,000. It will cost the Municipal Council Shs 2,000,000 to transport this bitumen to Moroto Copper Industries.
- 6 The Municipal Council has a eucalyptus forest that has 20,000 trees which were planted in the month of July 2009. The trees take 10 years to mature. These are kept in the financial statements as biological assets. The weighted average cost of capital (WACC) is 10%. Only mature eucalyptus trees have estimated fair value in the market. At 1 July 2019 and 30 June 2020, the fair value of the 20,000 trees was Shs 1,512,520,000 and Shs 1,350,000,000 respectively. It is the policy of Government to always assess the fair value of biological assets at the end of each financial year.

Note: The following discount factors may be applicable:

Year 8	0.466507
Year 9	0.424097
Year 10	0.385543

- 7 Mrs Nyadoi, the wife of the Mayor offered to buy the eucalyptus forest. After consultations with the technical team, she was advised that there is need for a clear disposal process to be followed, though she is a related party and so, does not qualify for the disposal.

- 8 KMC's approved budget for the financial year 2019/ 2020 is presented below:

Revenue:	Shs '000'	Expenses:	Shs '000'
Property rates	46,000	Administration	50,000
Land fees	120,000	Finance	120,000
Local hotel tax	83,400	Production	170,000
Local service tax	130,000	Health	2,670,000
Transfers from central Government	5,000,000	Allowances	52,000
Transfers from other Government units	2,500,000	Education	3,600,000
Other revenue	5,600	Works	980,000
		Internal audit	45,000
		Other expenses	198,000
Total revenue	<u>7,885,000</u>	Total expenditure	<u>7,885,000</u>

- 9 KMC uses cash basis as budgetary basis in accordance with the IPSAS.

Required:

- (i) Prepare KMC's statement of financial performance for the year ended 30 June 2020.

(15 marks)

- (ii) Prepare KMC's statement of financial position as at 30 June 2020.

(10 marks)

- (iii) Prepare, using the information provided, an additional statement to present the budget information in accordance with the relevant IPSAS.

(9 marks)

- (iv) Discuss the disclosure requirements under IPSAS 20–Related Party Disclosures.

(6 marks)

- (b) The Local Governments Act, 1997 as amended and the Local Governments (Financial and Accounting) Regulations, 2007 provide guidance on control and management of funds and resources in the local government sector. They cover all aspects involved in proper management of public funds and property in all local government units.

Required:

Discuss, with reference to the above statement, the aspects covered by the Act and Regulations in regard to proper management of public funds and property.

(10 marks)
(Total 50 marks)

Question 2

- (a) The Public Procurement and Disposal of Public Assets (PPDA) Act, 2003 as amended requires the procuring and disposing entity (PDE) to appoint a contracts manager that will be in charge of the contract management process, which is one of the most important stages in the public procurement and disposal of public assets.

Required:

Discuss the challenges faced by the PDE in contract management.

(5 marks)

- (b) Kango Municipal Council, one of the new municipalities created by an Act of Parliament, recently held elections where one of the contractors of the mother Town Council was elected as the mayor.

In his inauguration speech, the mayor highlighted that he expects all the works to be subcontracted to the local people since it promotes harmony and good working relations.

At a recent Contracts Committee meeting, the contract for low-cost sealing of 1.5 km of Kango-Kapir Road was awarded to a company owned by the mayor, though no proper procurement process was done for this contract. The Town Clerk tasked the Contracts Committee to explain why they had awarded that contract. He was informed that the mayor's company was on the pre-qualification list but this was completely rejected by the Procurement and Disposal Unit (PDU). The Town Clerk has hinted on termination of the term of the current members of the Contracts Committee

and appointment of new members. He has sought your guidance on this matter since you are among the pioneer members of this Municipal Council.

Required:

Advise, with reference to the PPDA Act 2003, as amended, the Town Clerk on the following:

- (i) Composition of the Contracts Committee **(6 marks)**
- (ii) Functions of the Contracts Committee **(7 marks)**
- (iii) How to handle disagreements between the PDU and Contracts Committee. **(3 marks)**
- (iv) Circumstances under which pre-qualification may be used as method of procurement. **(4 marks)**

(Total 25 marks)

Question 3

- (a) Ochaapa Sub-county is currently holding an annual workshop for its heads of department. The Treasurer, in his opening remarks, noted that the heads of department are required to produce monthly financial statements. This surprised the heads of department who thought that preparation of financial statements is the business of the Finance Department. The Treasurer has designated you to sensitise them on this and other aspects pertaining to processing accounting information as prescribed by the Local Governments Financial and Accounting Manual, 2007 and Local Governments (Financial and Accounting) Regulations, 2007.

Required:

Explain, with reference to the Manual and Regulations, the financial statements that heads of department are required to produce and submit to the Head Finance.

(6 marks)

- (b) The Minister of Natural Disasters, while presenting their annual estimates to the Committee of Security and Disaster, indicated that one of the biggest hindrances to executing their mandate is the small portion of the Contingencies Fund that is allocated to natural disasters. He requested for support from Members of Parliament to amend the relevant Act to allow them to fund their budget deficit from debt. For proper management of the debt component, the Ministry of Finance has enrolled them on the Debt Management and Financial Analysis System (DMFAS).

Required:

Assuming the role of head of training at the Ministry of Finance, discuss the:

(i) Requirements for responses to natural disasters that can be funded from the Contingencies Fund as per the PFM Act 2015 as amended.

(6 marks)

(ii) Advantages of DMFAS in public financial management

(7 marks)

- (c) The Leadership Code of Conduct aims at ensuring that leaders adhere to a standard behaviour that promotes integrity and accountability by making a written declaration of income, assets and liabilities, in the forms provided, to the Inspector General of Government.

Required:

Examine the circumstances under which leaders are in breach of the Leadership Code of Conduct.

(6 marks)

(Total 25 marks)

Question 4

- (a) Uganda Railways Authority (URA) has been mandated by Government to revamp railway transport in Uganda to enable trade in the East African Community, since it is the cheapest cost of transport for inter-country trade compared with the other modes of transport.

On 23 September 2019, URA received United States Dollars (US \$) 450,000 funding from Government to revamp the railway transport. On 24 January 2020, URA bought, from Royal Vanzateen Enterprises, 5 carriage vans at a cost US \$ 120,000 each, paid in 3 equal instalments starting with the day of purchase; 24 May 2020 and 25 September 2020. The exchange rates of Uganda Shillings per 1 United States Dollar were as follows:

Date	Shs
1 July 2019	3,300
23 September 2019	3,500
24 January 2020	3,550
24 May 2020	3,650
30 June 2020	3,570
25 September 2020	3,400

Required:

Prepare extracts from the financial statements to show the accounting treatment of the above transactions in the books of URA as at 30 June 2020 in accordance with the relevant IPSAS.

(8 marks)

- (b) The disclosure of appropriate information about the General Government Sector of a Government can enhance transparency of financial reports, and provide for a better understanding of the relationship between the market and non-market activities of the Government and between financial statements and statistical bases of financial reporting as guided by IPSAS 22–Disclosure of Information About the General Government Sector.

Required:

Explain the disclosures made in respect to the General Government Sector.

(4 marks)

- (c) The main objective of IPSAS 9–Revenue from Exchange Transactions is to prescribe the accounting treatment of revenue that arises from exchange transactions and events such as rendering of services, sale of goods and services and use of other entity’s assets.

Required:

Discuss the guiding principles in respect to accounting treatment of revenue from interest, dividends and royalties in accordance with the Standard.

(3 marks)

- (d) In March 2020, the President constituted the Covid Response Task Force (CRTF) to spearhead the purchase of all necessary equipment and facilities for management of the Covid-19. CRTF collected funds that were used to purchase motor vehicles to facilitate movement of the medical personnel in management of the pandemic.

Among the items not funded was the construction of a specialised hospital at Namawojjolo Community Centre to act as the pandemic hub for the Eastern part of the country at a cost Shs 6 billion. Thus, Government acquired a loan facility from International Credit Facility, a fund created to finance capital item funding for the fight against Covid-19, at an interest rate of 10% per annum, payable in arrears on the outstanding balance of the loan for 4 years. The market rate for a similar transaction is 15% and measures the loan at amortized cost.

Note: The following discount factors may be applicable:

Year 1	0.869
Year 2	0.756
Year 3	0.658
Year 4	0.572

The rates for capital payments are as follows:

Year

1	10%
2	20%
3	40%
4	30%

You have been appointed as Head Finance for the CRTF.

Required:

Prepare journal entries for the initial recognition of the loan facility and subsequent treatment of the transaction in accordance with the relevant IPSAS.

(10 marks)

(Total 25 marks)

Question 5

- (a) The Local Government Budget Framework Paper (LGBFP) is an important tool of planning and budgeting in local governments. The LGBFP explains the three-year budget strategy and helps to focus the debate on spending options in the local governments. The structure of LGBFP has been revised to enhance the effectiveness of its planning and budgeting process.

Required:

Discuss the purpose of the Local Government Budget Framework Paper as per the Local Governments Financial and Accounting Manual, 2007.

(5 marks)

- (b) The Public Finance Management Act, 2015 as amended highlights the key institutions that prescribe the Institutional Framework for management and conduct of public sector entity affairs in Uganda.

Required:

Discuss the key institutions that prescribe the Central Government Institutional Framework as provided for by the Act.

(5 marks)

- (c) Mitemula Town Council (MTC) has undergone re-organisation because of the parish development model, a new Government policy where management of development funds has been decentralized further to parishes. MTC requires more qualified people to supervise operations in the parishes under its jurisdiction. As such, a Town Treasurer has been appointed by the District Service Commission to replace the long-serving Senior Accounts Assistant who has been acting in the position for the last 10 years since MTC's inception.

At the hand-over ceremony, the Town Treasurer indicated that the Town Council uses modified cash accounting for preparation of financial statements. However, this was contradicted by the Senior Accounts Assistant who said that the Town Council is required to use accrual accounting as a basis for preparation of financial statements.

At the next Council session, the Senior Accounts Assistant was appreciated for the good work done during the 10-year period. At the same meeting, the Town Treasurer was welcomed and advised to always work in harmony with the Council since it has powers to sack him. However, the Mayor informed the councillors that sacking the Treasurer is not part of their mandate and advised them not to interfere with his work.

The following information was extracted from MTC's financial statements for the financial year ended 30 June 2021:

Details	Budget 2021 Shs '000'	Amounts billed and expected 2021 Shs '000'	Amounts collected 2021 Shs '000'
Local service tax	14,000	10,540	13,000
Land fees	15,000	12,600	9,870
Business licenses	84,000	84,000	79,800
Local hotel tax	32,750	23,740	15,600
Other tax revenues	6,980	4,830	970
Investment income	16,970	14,200	3,670
Property rates	83,145	62,584	60,790
Fines	<u>8,970</u>	<u>1,290</u>	<u>1,290</u>
Total	261,815	213,784	184,990

Due to the lock down to control the spread of Covid-19, three hotels in the Town Council closed yet they had been billed Shs 6,000,000 for local hotel tax.

You have been approached by the Town Treasurer, your CPA classmate, to advise on the issues raised during the hand-over ceremony and Council meeting and also guide on preparation of financial statements.

Required:

- (i) Explain the difference between accrual and modified cash bases of accounting.
(2 marks)
- (ii) Discuss the powers and functions of the Council, with reference to Mitemula Town Council.
(5 marks)

- (iii) Prepare MTC's statement of revenues collected during the year (based on source of revenue), with reference to the Government of Uganda Financial Reporting Templates, 2018.

(8 marks)

(Total 25 marks)

TEST PAPER 14
CPA (U) SEPTEMBER 2022

SECTION A

This section has one compulsory question to be attempted

Question 1

- (a) The following trial balance was extracted from the books of Matala Municipal Council for the year ended 30 June 2019:

Details	Dr Shs '000'	Cr Shs '000'
Transfers from other Government agencies		18,056,000
Transfers from Treasury		23,000,500
Staff salaries	5,973,000	
Medical expenses	83,900	
Pensions	478,560	
Other staff costs	1,246,700	
Travel abroad	512,600	
Land (at cost)	10,000,000	
Buildings (at cost)	18,923,700	
Plant and equipment (at cost)	6,990,400	
Plant and equipment repairs	538,400	
Fuel, oils and lubricants	378,974	
10% ADB loan		1,200,000
Accumulated depreciation:		
Buildings		784,000
Plant and equipment		326,740
Legal costs	689,420	
Donor funds		2,378,020
Receivables	1,529,784	
Payables		1,468,845
Cash and cash equivalents	609,480	
Revenue reserves		690,213
Revaluation reserves	=	<u>50,600</u>
	<u>47,954,918</u>	<u>47,954,918</u>

Additional notes:

- 1 Matala Municipal Council (MMC) complies with the International Public Sector Accounting Standards (IPSAS) and prepares its financial statements on accrual basis of accounting.
- 2 MMC received a management letter from the Office of the Internal Auditor notifying them of the mischarges which might lead to qualification of their accounts. Since there was no budget for travel

abroad, top management's travel expenditure Shs 328.5 million (US\$ 90,000) on 24 April 2019 to Norway had been charged to other staff costs. MMC's policy is that 20% of travel costs abroad is paid by the beneficiary and treated as staff advances until paid. These costs had not been paid by the yearend. The balance of other staff costs was a settlement of gratuity arrears that had been captured under payables since other staff costs code is considered to be too general and has been discouraged from being used. (The closing exchange rate is 1 US\$=Shs 3,800). The Council eventually passed a supplementary budget to cater for all items that were initially not planned for.

- 3 During the top management's trip to Norway on 24 April 2019, the Accounting Officer bought a bulldozer for road construction at a cost US\$ 140,000. This transaction was reported in the financial statements basing on the spot exchange rate.
- 4 On 20 February 2019, the Council, with the influence of the Mayor, passed a resolution to ban the operations of Kaddugala Youth Initiative (KYI) and write off their debt with a balance Shs 460 million. The Mayor considered KYI to be supporting his competitor in the forthcoming elections and this was brought to the attention of the Treasurer after the end of the financial year.
- 5 In preparation for the consecration of the bishop of Luvule Diocese scheduled for 28 August 2019, the Catholic Church contracted MMC to grade and tarmac the consecration venue at a cost Shs 780 million. By end of the financial year, the Municipal Council issued a payment certificate of 80% of the contract since the drainage had not yet been completed. The certificate had been verified and cleared for payment. By the yearend, this had not been settled. It cost the Council Shs 320 million to achieve this level of performance though the entire contract had been budgeted to cost Shs 452 million.
- 6 After the acquisition of the new bulldozer, the old one was disposed of for Shs 150 million since it had developed mechanical problems. The bulldozer had been bought at Shs 400 million. It had accumulated depreciation Shs 295 million and balance on revaluation reserve Shs 10 million.

It is MMC's policy to depreciate buildings and plant and equipment on straight-line basis at 5% per annum.

- 7 The 10% ADB loan was acquired to construct water and works office block for a period of 3 years. The construction of the block started 4 months after the acquisition of the loan because the Minister of Local Councils was not available to officiate at the ground-breaking ceremony. Since this was a national issue, it was agreed to put off the

ceremony until the Minister was available. The charges related to the loan were not captured in the financial statements.

Required:

Prepare, for the year ended 30 June 2019, Matale Municipal Council's:

- (i) Journal entries to record the adjustments to be made in the financial statements. (8 marks)
 - (ii) Statement of financial performance (15 marks)
 - (iii) Statement of financial position (10 marks)
- (b) The objective of general purpose financial statements is to provide information to meet the needs of those users who are not in position to demand financial information adapted to their needs and these include creditors, suppliers and bankers. Financial statements prepared in accordance with the International Public Sector Accounting Standards (IPSAS) require certain standards to be followed in their presentation.

Required:

In accordance with IPSAS 1—Presentation of Financial Statements:

- (i) Explain the general standards for preparation of financial statements. (5 marks)
- (ii) Describe the components of financial statements (6 marks)
- (iii) Discuss the disclosure requirements for notes to the financial statements.

(6 marks)

(Total 50 marks)

SECTION B

Attempt two of the four questions in this section

Question 2

- (a) National Medical Supplies (NMS), a public sector entity, is in the process of evaluating bids for the provision of services for the financial year 2022/2023. NMS' Accounting officer inaugurated new members of the evaluation committee and has now organised for them an induction session about the operations of the Public Procurement and Disposal of Public Assets Authority (PPDA) and the requirements of the Public Procurement and Disposal of Public Assets Act, 2003 as amended regarding the bid evaluation process.

The session chairperson has designated you to lead the discussion of these and other matters pertaining to procurement and disposal of public assets.

Required:

Prepare notes for your presentation, advising the new members of the evaluation committee on the:

- (i) Role of PPDA as the principal regulatory body for public procurement and disposal of public assets in Uganda.

(5 marks)

- (ii) Requirements of the law regarding the criteria for post-qualification to determine whether the best evaluated bidder has the capability and resources to carry out the contract.

(6 marks)

- (iii) Circumstances under which a bid shall be recommended under the quality-based selection and technical compliance selection evaluation methods.

(4 marks)

- (b) At the beginning of the calendar year 2020, the world was hit by coronavirus disease (COVID-19). As a response, the Government of Uganda established the National Covid Agency (NCA) whose main aim is to ensure proper and efficient management of the COVID-19 related activities. One of the critical activities in COVID-19 management is mass and continuous testing of the contacts of infected persons and individuals with symptoms. The process of testing involves picking samples from the suspected contacts using swabs.

The Government, through NCA, ordered for 800,000 pieces of swabs from a UK manufacturer who had indicated a cost Shs 4,000 for each piece but due to the high demand, the manufacturer was only able to supply 400,000

pieces of swabs in the first shipment that was delivered by 12 February 2020. Freight and insurance charges were Shs 5,000,000 and Shs 5,000,000 respectively.

After one month, the manufacturer notified NCA that they were in position to deliver the balance of the order, though the cost of each swab had increased to Shs 5,000 due to the high demand. Delivery was made on 15 April 2020 and the freight charges had increased to Shs 35 per swab while the insurance charges remained the same. By 30 June 2020, NCA had distributed 600,000 pieces of swabs to the different testing centres across the country at no charge.

Some private pharmacies have been cleared to import the swabs and it costs Shs 5,020 to buy each swab from a local pharmacy.

Required:

Advise NCA management on the cost of the swabs in stock that should be reported in the financial statements at 30 June 2020 using weighted average cost (AVCO) and first in first out (FIFO) methods of stock valuation. Show suitable computations.

(10 marks)

(Total 25 marks)

Question 3

- (a) Bumandi District Local Government, a newly created district, has been passed by Parliament to start operations. The Chief of Government Accounts has directed all districts to start implementing the Integrated Financial Management System (IFMS). Therefore, the District Council has directed the Chief Finance Officer (CFO) to conduct a training session for staff in the Accounts Department and those charged with financial reporting about the operations of the IFMS.

Required:

Assuming the role of the CFO, discuss the:

- (i) Components of the IFMS **(7 marks)**
 - (ii) Detailed steps in the implementation of the IFMS **(8 marks)**
- (b) Section 33 of the Public Finance Management Act, 2015 provides for a framework within which votes shall conduct their banking and cash management activities. The Treasury Single Account (TSA) has been prescribed as the framework for Government banking activities. The Integrated Financial Management System operates two types of TSA—TSA Holding Account and TSA Sub Account (TSSA).

Required:

Discuss, with reference to the above statement, the operations of the following:

- (i) TSA Holding Account (4 marks)
 - (ii) TSA Sub Account (2 marks)
 - (iii) EFT cash account (2 marks)
 - (iv) Letter of credit transfer account (2 marks)
- (Total 25 marks)**

Question 4

- (a) The Ministry of Forest Resources appointed you as a financial specialist in charge of financial reporting. During a recent weekly management meeting, the Permanent Secretary welcomed you on board and notified you that the budget cycle had started since the medium-term expenditure framework (MTEF) and country portfolio performance review had been completed. He has asked you to make a presentation on budgeting in public sector entities during the next management meeting.

Required:

Discuss the key stages in the budget cycle process (6 marks)

- (b) IPSAS 24—Presentation of Budget Information in Financial Statements applies to public sector entities that are required to present budget information in their financial statements and make publicly available their approved budgets. The Standard outlines various terms that guide the entities in the preparation and presentation of budget information.

Required:

Explain the following as prescribed by the Standard:

- (i) Appropriation
- (ii) Comparable basis
- (iii) Final budget

(3 marks)

- (c) The following are extracts from the trial balance and budget estimates of Kasaala Municipal Council for the financial year ended 30 June 2020:

Details	Initial budget		Actual
		Dr	Cr
	Shs '000'	Shs '000'	Shs '000'
Local service tax	3,050,000		1,474,000
Local hotel tax	560,000		324,400
Market fees	360,000		174,600
Property tax	126,000		54,000
Loading fees	44,000		24,000
Government grants	12,462,400		8,946,760
Donor funds	32,740		16,470
Wages and salaries	9,315,678	5,892,300	
Statutory expenses	665,406	560,400	
Transport and travel	1,663,514	1,369,470	
Fuel expenses	3,327,028	3,296,785	
Communications	499,054	239,309	
General expenses	1,164,460	977,823	

Additional information:

- 1 At the beginning of the financial year, the Council had receivables relating to local hotel tax and market fees amounting to Shs 150 million, each contributing equally.
- 2 All the local revenue collection had been outsourced and the budget amounts are after assessments.
- 3 Due to the locust invasion, the Municipal Council received Shs 570 million from Locust Management Agency (LMA), an international donor organisation, to address this calamity. The Council was called for an emergency session on 25 May 2020 and a supplementary budget for these funds was approved. All the funds were spent as budgeted. This had not been captured in the trial balance.

Required:

With reference to the Public Finance Management Regulations, 2016 and Financial Reporting Guidelines, prepare, for the financial year ended 30 June 2020, Kasaala Municipal Council's statement of:

- (i) Appropriation **(10 marks)**
 - (ii) Arrears of revenue **(6 marks)**
- (Total 25 marks)**

Question 5

- (a) The Local Governments Financial and Accounting Manual, 2007 prescribes guidelines for adequate planning for cash flow management since cash is the most important financial asset in local governments and therefore, its management requires good planning.

Required:

Examine the possible effects of lack of adequate planning for cash flow management as guided by the Manual.

(4 marks)

- (b) Kasaaka District Local Government has experienced a new breed of young leaders with little or no experience. During a recent District Council session, the District Chairperson presented names of people to be considered for membership of the District Public Accounts Committee (DPAC). The session became contentious after one of the new councillors, Mr Mwanje, raised concerns about eligibility of the proposed members and composition of the DPAC.

Required:

Discuss, with reference to the Local Governments Act, 1997 as amended, the:

- (i) Functions and services of the District Council **(10 marks)**
- (ii) Requirements of the Act regarding the eligibility of the members and composition of the District Public Accounts Committee.

(5 marks)

- (c) Mr Magulu, a public officer, has been reported by his colleagues for neglecting official duty and instead, dedicating much of his time to private work. This, they argue, has impeded progress at their department. They have sought the intervention of the head of department who can direct him to comply with the requirements of the relevant laws and regulations that guide public officers in carrying out their duties.

Required:

Advise Mr Magulu on the requirements of the Code of Conduct and Ethics for Uganda Public Service regarding attendance to duty.

(6 marks)

(Total 25 marks)

TEST PAPER 15
CPA (U) DECEMBER 2022

SECTION A

This section has one compulsory question to be attempted

Question 1

- (a) Uganda Technology Development and Business Incubation Institute (UTDBII) was established in 2005 under the Ministry of Science to undertake research in technology to support business technology developments and incubation and also, promote industrialisation in Uganda.

The following trial balance as at 30 June 2021 is for UTDBII:

	Debits Shs '000'	Credits Shs '000'
Transfers from Treasury		7,883,961
Donations		28,000
Salaries and wages	469,800	
Social security contributions	100,200	
Buildings	1,029,000	
Computer supplies and IT services	722,000	
Furniture and fittings	15,000	
Motor vehicles	320,000	
Plant, machinery and equipment (PPE)	3,250,000	
Cash and cash equivalents	169,500	
Goods and services consumed	2,056,500	
Travel inland	83,250	
Travel abroad and training expenses	128,500	
Telecommunication expenses	94,000	
Recruitment expenses	60,000	
Accumulated depreciation for:		
Buildings		41,500
Computer supplies and IT services		21,000
Furniture and fittings		2,932
Motor vehicles		82,000
Plant, machinery and equipment		62,500
Miscellaneous revenue		190,417
Domestic arrears		80,083
Utility and property expenses	71,900	
Small office equipment	47,000	
General administration expenses	35,100	
Reserves	=	<u>259,357</u>
	8,651,750	8,651,750

The head of finance has provided you with the following additional information:

- 1 Included in PPE is a production facility that was purchased on 30 June 2015 at Shs 120 million and accounted for in accordance with IPSAS 17—Property, Plant and Equipment. This asset was budgeted for under goods and services consumed as per the entity's approved balanced budget. The facility undergoes major inspections every 3 years on 30 June of the third year of operation from the previous inspection. During inspection, central processing unit parts are identified and replaced so as to improve production capacity and quality standards. During the year ended 30 June 2021, the total inspection cost incurred was Shs 6 million compared to Shs 4 million incurred in the last inspection and replacement of a worn-out central unit machine cost Shs 8 million compared to Shs 6 million incurred in the last inspection. All these costs were budgeted for under goods and services consumed and also accounted for under the same expenditure code for 2018 but the ones incurred in 2021 had not yet been accounted for in the trial balance provided.
- 2 On 1 June 2021, the entity obtained a donation of materials from UWDA. The fair value of these materials at 30 June 2021 was Shs 55 million. At the start of the month, similar materials had a fair value Shs 60 million whereas their net realisable value at the end of the period is assessed to be Shs 40 million.
- 3 Other materials to be accounted for include materials to be included in domestic arrears, 100 kilograms of inputs acquired by UTDBII to be donated to one of the incubator businesses for start-up operations. UTDBII acquired these materials at Shs 28,000 per kilogram. Their net realisable value is assessed to be Shs 23,000 per kilogram and it would cost UTDBII Shs 24,000 per kilogram to replace these materials due to the current decrease in market prices.
- 4 Excluded in the trial balance is an amount in respect of a demand notice issued by KCCA to the Institute in 2019 for property rates amounting to Shs 9,000,000. These rates have not yet been accounted for in the books of the Institute since 2019.
- 5 Over the years, the entity has been preparing its financial statements on accrual basis in accordance with the International Public Sector Accounting Standards (IPSAS). Classification of expenses is reported by nature rather than by function.

- 6 It is the Institute's policy to depreciate non-current assets on reducing balance as follows:

	Rate per annum
Machinery	20%
Buildings	10%
Furniture and fittings	15%
Computer supplies	35%
Motor vehicles	30%

Required:

By including all the workings and notes to the financial statements, prepare, for year ended 30 June 2021, UTDBII's:

- (i) Statement of financial performance **(10 marks)**
 - (ii) Statement of financial position **(25 marks)**
- (b) You were recently appointed as a senior accountant of Mulira District Local Government. In your new role, you will, from time to time, be required to review and submit a request for virements for approval in line with the requirements of the relevant legislation(s).

Required:

Discuss the conditions that must be met for a virement to be approved as per the Public Finance Management Act, 2015.

(3 marks)

- (c) The International Public Sector Accounting Standard (IPSAS) 12—Inventories defines inventories as assets in the form of materials or supplies to be consumed in the production process; in the form of materials or supplies to be consumed or distributed in the rendering of services; held for sale or distribution in the ordinary course of operations or in the process of production for sale or distribution.
- Public sector entities hold inventories to be used for any of these purposes. The Standard requires an entity to disclose the accounting policies adopted in measuring inventories, including the cost formula used, among other disclosure requirements.

Required:

Advise public sector entities on the other disclosure requirements as prescribed by the Standard.

(12 marks)

(Total 50 marks)

SECTION B

Attempt two of the four questions in this section

Question 2

- (a) The Public Procurement and Disposal of Public Assets (PPDA) Act, 2003 as amended and the Public Procurement and Disposal of Public Assets Regulations, 2014 were enacted to formulate policies and regulate practices in respect of public procurement and disposal activities and other related matters for public sector entities.

In line with the requirements of the above legislations, the Ministry of Disease Control and Health Improvement has embarked on the process of disposing of its assets that were recommended for disposal in the last submitted board of survey report. You have been tasked to advise management on how to handle the process of disposal.

Required:

Prepare briefing notes to management in which you discuss the different methods of disposal of public assets in accordance with the PPDA Act and Regulations.

(12 marks)

- (b) Contract management as applied to public sector operations is a process that ensures that both parties to a contract—the public disposal entity (PDE) and the provider/ contractor meet their respective obligations in order to efficiently and effectively deliver the objectives of the contract.

Various stakeholders are involved in the contract management process. As per the PPDA guidelines, the accounting officer or a person appointed by the accounting officer from the user department shall manage the contract.

Required:

Discuss the:

- (i) Roles of the various stakeholders involved in contract management.

(8 marks)

- (ii) Challenges faced by public sector institutions in contract management.

(5 marks)

(Total 25 marks)

Question 3

- (a) The Government of Uganda has been implementing various public financial management reforms which include the automation of financial management systems. The integrated payroll and pension system (IPPS) is one example of such systems designed to eliminate challenges that were encountered in the manual environment. Specifically, the IPPS is designed to make use of modern information and communications technologies to achieve the objectives of public service reform programs.

Required:

Examine the role of the IPPS as a public service reform program.

(11 marks)

- (b) The budget cycle in Uganda's public sector runs throughout the financial year and involves six key stages, amongst which is budget implementation. Various processes and stakeholders are involved throughout the budget cycle. The budget is implemented to deliver various public services, such as education, health, good roads, security, salaries and pensions, among others, that improve the lives of the citizens.

Required:

Examine the processes involved during budget execution in Uganda's public sector.

(8 marks)

- (c) The Leadership Code Act provides for a minimum standard of behaviour and conduct for leaders. The law also puts in place an effective enforcement mechanism and provides for other related matters, including the use of public property which includes any form of real or personal property in which the Government or public body has ownership.

Required:

Advise on the requirements of the Act regarding the use of public property and the consequences of abuse of public property by leaders.

(6 marks)

(Total 25 marks)

Question 4

- (a) Keeyo District Local Government, a newly formed local government, appointed you as the head of internal audit department. The district has also recruited two officers to work under you and they are currently undergoing an orientation exercise. The Chief Administrative Officer (CAO) has tasked you to train the new staff in various aspects pertaining to internal audit.

Required:

Prepare notes for your presentation in which you discuss the role of internal audit function in the district local government.

(10 marks)

- (b) The Government of Uganda uses the commitment control system as one of the measures to help reduce the incidence of payment arrears in non-wage recurrent and development spending. The PFM Act, 2015 requires that an accounting officer of a vote and an accounting officer of a local government shall, within two months after the end of each financial year, prepare and submit to the Auditor General and the Accountant General the accounts and information set out as per the Act, including the statement of outstanding commitments.

The following information, extracted from the books of Bule District Council, has been provided:

	Shs '000'
Details as at 30 June 2020 (yearend):	
1 LPO 001345: Goods received note GRN003 invoice 003 posted in the system—stationery	64,000
2 LPO 00345 issued for supply of stationery. Goods not yet received in stores	22,000
3 LPO DK009 supply of small office equipment. Goods not yet received	12,000
4 Supply of PPE (machinery) and installation—signed and issued contract DKLK-99904 not yet executed	120,000
5 Recruitment contract issued to consultant	6,000
6 Requisitions signed by accounting officer pending bid adverts	125,000
7 Inventory to be returned to suppliers—excess supplies received in stores as per invoice 998	24,000
8 Contract for staff training signed and issued to consultant—awaiting execution	33,000
9 Draft contract for supply of furniture from the legal	

department	40,000
10 Other operating costs-LP0235 not yet executed	200,000

The previous year's commitments (encumbrances) cleared during the year ended 30 June 2021 amounted to:

	Shs '000'
Stationery	8,000
Small office equipment	6,000
Property, plant and equipment	110,000
Other operating expenses	210,000

An LPO of Shs 2 million for stationery items signed on 25 June 2020 was cancelled in August 2020 due to inability of the supplier to deliver as per required contractual terms.

During the year, a certificate of completion for a contract executed for supply of PPE and installations amounting to Shs 400 million was posted into the system.

The following details relate to transactions carried out during the year:

	Shs '000'
1 Supply of stationery LPO issued but no goods received in central stores	7,000
2 Supply of small office equipment–LPO issued but not yet executed	6,000
3 Supply of PPE (machinery) and installations–contract issued but not executed	40,000
4 Recruitment contract fees–contract pending execution	8,000
5 Requisitions signed by accounting officer pending bid adverts	340,000
6 Additional contract issued on staff training costs not yet executed	21,000
7 LPO issued and not yet executed–other operating costs	225,000

Required:

Prepare, for the year ended 30 June 2021, a statement of outstanding commitments (encumbrances by nature of expenditure) to be forwarded to the accounting officer for onward submission as per the requirements of the PFM Act and in line with IPSAS 24—Presentation of Budget Information in Financial Statements.

(10 marks)

- (c) Cash is the most important financial resource in local governments and ministries, departments and agencies (MDAs) and therefore, it should be well managed. Cash flow management involves systems, procedures and management decisions by which managers ensure an entity has sufficient cash to meet all approved expenditures; a payment system according to the plan (cash budget) and, a serious decline in cash balances is avoided. As per the Local Governments Financial and Accounting Manual, 2007, the head of finance should produce the council's quarterly cash flow budget, annual cash flow budget and cash flow analysis.

Required:

Advise on the key focus areas where management is required to put procedures in place in order to successfully implement cash flow budgets.

(5 marks)

(Total 25 marks)

Question 5

- (a) In line with the legislative and policy frameworks for public debt management, Uganda Agricultural Development Authority (UADA) obtained additional funding in form of loans through the Ministry of Finance to undertake national agricultural development projects. The entity undertook a project of setting up an agricultural research and development center that would ensure more agricultural improvements through research and development.

On 1 July 2020, UADA contracted Ivory Engineers to construct the research and development center building at a cost Shs 4,488 million. By 30 June 2021, the building was completed and was commissioned by the President on 4 July 2021. Payments made during the year for the construction works were as follows:

Date	Shs 'million'
1 July 2020	408
30 September 2020	1,224
31 March 2021	2,448
30 June 2021	408

UADA's borrowings as at 30 June 2021 were as follows:

- 1 9% 10-year loan note with simple interest payable annually. The debt outstanding at 1 July 2020 amounted to Shs 2,040 million and remained unchanged during the year.

- 2 13% 10-year loan note with simple interest payable annually. The debt outstanding at 1 July 2020 amounted to Shs 3,060 million and remained unchanged during the year.
- 3 10% 4-year loan note with simple interest payable annually which specifically relates to the project. The debt outstanding at 30 June 2021 amounted to Shs 1,428 million with an interest Shs 132.6 million incurred on these borrowings during the year.

These loan funds were temporarily invested during the year before the engineer could present additional certificate of completion for payments and interest income Shs 40.8 million was earned as interest revenue.

Required:

Calculate, for UADA, the borrowing costs to be capitalised, assuming all the interest costs relate to borrowing costs.

(10 marks).

- (b) Kayoola Municipal Council constructed a school in 2006 at a cost Shs 75 million to serve, on average, 700 students per year. The entity estimated that the school would be used for 64 years. In 2021, the enrolment declined from 700 to 150 students because many families relocated due to the landslides and floods that hit the area.

The Council decided to close four of the seven blocks constructed. The Council has no expectation that enrolment will increase in the future such that the blocks would be reopened.

The current replacement cost of one of the blocks is estimated at Shs 19.5 million.

Required:

Evaluate the impairment loss using the depreciated replacement cost approach.

(5 marks)

- (c) National Environment Conservation Services (NECS), a government entity, collects non-tax revenue to support its operations. During the year to 30 June 2022, the accounting officer of NECS set up an IT committee to develop a website through which stakeholders would get access to information and updates about the services offered by NECS. It would also enable additional interactions between the entity and all its stakeholders.

Required:

With reference to the above scenario and in accordance with the relevant International Public Sector Accounting Standard (IPSAS), analyse the:

- (i) Conditions that must be fulfilled for recognition of development costs as an intangible asset of an internally executed project within a public sector entity.

(6 marks)

- (ii) Approach, citing relevant examples, used to assess whether an internally generated intangible asset meets the criteria for recognition.

(4 marks)

(Total 25 marks)

TEST PAPER 16
CPA (U) MAY 2023

SECTION A

This section has one compulsory question to be attempted

Question 1

Sheena Municipal Council (SMC) is one of the local government administrative units in Eastern Uganda. Over the years, Sheena Municipal Council has entered into contractual agreements with private and public entities for provision of works and services. SMC prepares its financial statements on accrual basis in accordance with International Public Sector Accounting Standards (IPSAS).

- (a) The following trial balance as at 30 June 2022 is for Sheena Municipal Council:

	Debits	Credits
	Shs '000'	Shs '000'
Land and buildings at cost	800,000	
Motor vehicles at cost	1,800,000	
Machinery and equipment at cost	3,000,000	
Accumulated depreciation:		
Motor vehicles		145,000
Buildings		90,000
Machinery and equipment		115,000
Local service tax		130,000
Travel inland	120,000	
Allowances	400,000	
Cash and cash equivalents	255,000	
Property rates		720,000
Taxi park fees		175,000
Licenses		123,000
Fines and penalties		200,000
Sundry revenue		98,000
Market fees		300,000
Withholding tax payable		85,000
Pension and gratuity contributions	825,000	
Health and welfare	624,000	
Administration	502,000	
Works and transport	350,000	
Sundry expenses	177,000	

Staff advances	425,000	
5% Long-term borrowing: UDB		400,000
Trade payables		127,000
Transfers received:		
Uganda Road Fund		4,500,000
Central Government		2,000,000
Covid-19 Taskforce donation		70,000
Fund balance	=	=
	9,278,000	9,278,000

Additional information:

- During the year, SMC engaged an expert to value its land as a result of the elevation of Sheena Town Council to a municipal council. The report of the expert indicates that the land in the books of SMC had appreciated to Shs 350 million from Shs 200 million. This had not been taken into account by the yearend.
- The policy of SMC is to depreciate non-current assets as follows:

	Rate (%)	Method
Buildings	5	Cost
Machinery and equipment	25	Reducing balance
Motor vehicles	20	Cost
- On 1 January 2022, SMC received a donation of an ambulance, Toyota-Hiace, worth Shs 150 million, and a cash donation of Shs 70 million from the Covid-19 Taskforce for the purchase of personal protective equipment (PPE) for frontline workers in the health department. At the end of the financial year, only Shs 60 million had been used for purchasing personal protective equipment and the ambulance had not been reflected in the books of SMC.
- The taxi park and market operations are leased out by the Municipal Council to a private company that pays in advance amount expected by the Council as it collects fees from users. Due to Covid-19 pandemic and total lockdown which affected taxi and market operations, the company could not collect 25% of revenue expected. The Council, in its last sitting for the financial year, passed a resolution to pay-off the company as an economic incentive and write off the uncollectable amount.
- The transfers from Uganda Road Fund are exclusively for works and transport improvement on the municipal council roads. The Council obtained authority to remain with unspent balance relating to road works at the yearend. All the staff advances were for road and

drainage works improvement with exception of Shs 75 million. 90% of works staff advances had been accounted for by the staff, though not reflected in the accounts.

- 6 On 5 July 2021, SMC entered into a binding agreement with Basajja Brothers Limited (BBL), a private company, for 25 years. The agreement required BBL to construct a three-storied modern structure market in the Municipal Council to accommodate about 600 vendors. BBL completed the construction by 28 February 2022 at a cost Shs 4 billion and the market was officially opened on 1 March 2022. The agreement provides for the company to receive revenue from daily market charge fees from market vendors and traders not exceeding Shs 24 million per month as a cover for its costs and management fee. All the revenue due for 2022 was received by the company.
- 7 Central Government grant Shs 1.5 billion had not been spent at the yearend. It is the government policy to transfer unspent balances at the end of the year to the consolidated fund.

Required:

Prepare, for the year ended 30 June 2022, Sheena Municipal Council's statement of:

- (i) Financial performance **(16 marks)**
 - (ii) Changes in net assets/ equity **(4 marks)**
 - (iii) Financial position **(10 marks)**
- (b) Sheena Municipal Council entered into an agreement with Motor Supplies Uganda Limited (MSUL) to acquire three Hilux pick-up motor vehicles on a four-year deal in a bid to ease the supervision and monitoring of projects of the Council. At the start of the agreement, the fair value of a Hilux pickup was Shs 150 million. The annual lease payment is Shs 50 million payable in arrears and the guaranteed residual value is Shs 60 million. The lease agreement provides for routine service for a period of six months under warrant for which MSUL will have to pay. Otherwise, the Municipal Council is responsible for other running costs of fuel, insurance and maintenance. The lease agreement does not provide for interest rate implicit in the lease but the Council's incremental borrowing rate is 15%. However, Stanbic Bank and DFCU Bank are advertising car loan financing at rates varying between 15% to 24% per annum.

Required:

Advise Sheena Municipal Council on the interest rate at which it should account for the above lease in its books of account.

(8 marks)

- (c) During the year ended 30 June 2022, the Government of Uganda, through the Land Committee, transferred 15 hectares of land worth Shs 4.5 billion to Sheena Municipal Council to enable it establish a hospital and an infectious disease research centre. The transfer agreement specifies land to be used for establishment of the hospital and the research centre.

The Council had been in public private partnership with Jaulo Ltd, a private health research company for the purpose of establishing a research centre in the municipality and through this partnership, a loan of Shs 20 billion had been obtained from National Development Bank (NDB). However, the private company later pulled out and SMC remained with the project and the debt. The Government of Uganda has now directed NDB to cancel the outstanding loan obligation to relieve the Council of financial distress and as part of capitalisation of the municipality. SMC had paid Shs 5 billion at the time of receipt of the letter of loan facility cancellation.

In a bid to boost tourism within the municipality, SMC, in its recent sitting, resolved to embark on identifying, documenting and preserving the historical and cultural sites as well as similar heritage assets that have for long been tourist attractions in the area. Some of them have been already listed under United Nations Educational, Scientific and Cultural Organization (UNESCO) heritage sites yet the Council had no idea about it.

Required:

Advise Sheena Municipal Council on:

- (i) How to account for the above transactions in its financial statements for the year ended 30 June 2022.
- (6 marks)**
- (ii) The characteristics of intangible heritage assets and their disclosure requirements when recognised.

(6marks)

(Total 50 marks)

SECTION B

Attempt two of the three questions in this section

Question 2

National Independent Electoral Commission (NIEC) is a statutory body responsible for organising and conducting voter registration, education and elections in the country. In order to carry out its mandate in the recently concluded elections of January 2021, NIEC advertised for a number of procurements including, but not limited to, design, printing and supply of ballot papers, supply of biometric thumb print identification machines, supply and delivery of motor vehicles and supply of stationery. NIEC used a number of procurement methods, including open domestic and open international bidding. However, the Government of Uganda is promoting the 'Buy Uganda Build Uganda (BUBU)' campaign aimed at encouraging development of the local industry and products where local firms with capacity are encouraged to participate in projects and procurements. The local firms embracing the BUBU policy complained to the Public Procurement and Disposal of Public Assets Authority (PPDA) for administrative review on grounds that NIEC did not give them an opportunity to participate in the lucrative deals for design and printing of ballots papers as contracts had been awarded to foreign international firms.

During the year to 30 June 2021, NIEC was involved in budget preparation and was required to prepare its programme budget framework paper as per the requirements of the Public Finance Management Act (PFMA), 2015, as amended after the first budget call circular was published.

Required:

(a) With reference to the Public Procurement and Disposal of Public Assets (PPDA) Act 2003, as amended and other relevant legislations:

(i) Advise the local firms on the contents of a letter of complaint to the Authority.

(5 marks)

(ii) Examine the criteria for evaluation of pre-qualification that NIEC may have taken into account to exclude the local firms from the above procurement.

(6 marks)

(iii) Assess the conditions for use of open international bidding method other than open domestic bidding by a procuring and disposing entity (PDE).

(4 marks)

- (b) Advise management of NIEC on the:
- (i) Contents of the sector programme budget framework paper. **(4 marks)**
 - (ii) Relevance of the first budget call circular. **(2 marks)**
 - (iii) Broad classes of government revenue, citing examples in each case. **(4 marks)**
- (Total 25 marks)**

Question 3

The Ministry of Agriculture and Animals (MOAA) is a public sector entity with mandate to supervise and coordinate agricultural activities with the aim of improving productivity and livelihood. The ministry prepares its financial statements on accrual basis in accordance with International Public Sector Accounting Standards (IPSAS).

During the review of the entity's draft financial statements for the year ended 30 June 2022, the accounting officer learned that the financial reporting team had challenges in accounting for some transactions. He has now consulted you for professional guidance and you been provided with following information:

- 1 MOAA entered into a contract with a Chinese company, Sino Machinery International Limited (SMIL), to supply heavy farm machinery and equipment for the newly established demonstration farms under the ministry. SMIL was to supply the machinery in two batches by 31 December 2021 and 31 March 2022. The contract required the ministry to pay SMIL \$ 2 million on 1 November 2021 and \$ 3.5 million on 30 June 2022. The contracts were executed as per the contract terms. The ministry determined that the payment on 1 November 2021 relates to the batch supplied in December 2021 and the payment on 30 June 2022 relates to the batch supplied in March 2022. The following exchange rates for \$ 1 were applicable:

Date	Shs
November 2021	3,600
December 2021	3,670
January 2022	3,800
February 2022	3,750
March 2022	3,820
April 2022	3,850
May 2022	3,900
June 2022	3,680

Note: \$ represents United States dollar while Shs represents Uganda shillings.

- 2 MOAA, through the wealth creation and rural transformation program, established the National Agricultural Genetic and Breeding Farm (NAGBF) with an aim of breeding and cross-breeding local cattle and exotic milk cows from The Netherlands, and multiplying fast maturing plants to be distributed at no charge or nominal fee to peasants in rural areas to boost agriculture and transform the livelihood of the communities.

At 1 July 2021, the farm had 300 cattle of cross-breeds that had varying ages with per unit fair values less costs to sell as follows:

Number held	Description/ age	Unit fair value less costs to sell (Shs '000')
80	New-born cross-breed calf	300
150	1.5 year-old animal	1,600
70	1 year-old animal	800

More 45 nine-month old animals were brought into the farm from Uganda Agricultural Research Institute (UARI) on 1 October 2021 to boost the ministry program. The ministry and UARI were unable to determine the fair values of the animals at the time due to the lockdown and foot and mouth disease outbreak which made markets inactive and therefore, the inability to reliably measure the fair values of the animals. However, UARI had acquired these animals at a cost Shs 600,000 per animal.

On 1 January 2022, more 65 animals of 1.5 years old were acquired by the ministry from South Africa at Shs 1,650,000 each.

No animal was sold nor distributed during the year due to the outbreak of the foot and mouth disease.

The fair values less costs to sell at 30 June 2022 were determined as follows:

	Shs '000'
1 year-old animal	1,000
1.5 year-old animal	1,700
2 year-old animal	1,900
2.5 year-old animal	2,200

Required:

Prepare a report to the accounting officer, advising, with suitable computations, where applicable and in accordance with the relevant IPSAS, on:

(a) The accounting treatment of the transactions between the ministry and SMIL in MOAA's financial statements for the year ended 30 June 2022.

(8 marks)

(b) The factors considered in determining the functional currency of a foreign operation.

(6 marks)

(c) A reconciliation of changes between the carrying amounts of the cattle during the year ended 30 June 2022.

(9 marks)

(d) The common features of agricultural activity.

(2 marks)

(Total 25marks)

Question 4

Katikomu District Council received a report from the Auditor General on the operations of the district local government during the year ended 30 June 2021. The audit report highlighted, among others, the following issues that needed attention of the Council so that operations of district could be harmonized with the requirements of the relevant legislations:

- 1 The District Public Accounts Committee (DPAC) failed to perform its oversight function and as a result, many transactions of the district council were reported to be dubious and supporting documents for some contracts could not be traced.
- 2 In many instances, the district civil servants were found to be conflicted while carrying out their responsibilities. Many of them failed to declare their income and liabilities as required by the Leadership Code Act, 2002 as amended.
- 3 Many public officers of the district had on several occasions disregarded the non-financial aspects of public financial management that could have a negative impact on the performance of the district. The staff neglected to attend to their duties and there was general lack of customer care.

During a recent contentious Council session, one of the councilors wondered why the relevant district oversight committees did not perform to their expectations. He was quoted saying, "The way we commit or omit to perform our duties has far-reaching effects on the performance of the district. It is high time we

exercised our powers on the non-performers and if need be, we can elect to replace the entire DPAC”.

The Council, unanimously resolved to engage the services of a consultant to assess the impact of the issues raised in the audit report to the district administration.

Required:

As a consultant, advise the district council on the following:

- (a) Circumstances under which a member of the Local Government Public Accounts Committee may be removed from office.

(4 marks)

- (b) Role of the Local Government Public Accounts Committee in public financial management.

(2 marks)

- (c) Requirements of the Leadership Code Act, 2002 as amended regarding interest in income, assets and liabilities of a leader and the circumstances under which a conflict of interest may arise.

(8 marks)

- (d) Requirements of the Code of Conduct and Ethics for Uganda Public Service regarding:

- (i) Attendance to duty

(6 marks)

- (ii) Customer care

(5 marks)

(Total 25 marks)

TEST PAPER 17
CPA (U) AUGUST 2023

SECTION A

This section has one compulsory question to be attempted

Question 1

National Transport Infrastructure Authority (NTIA) is a public entity mandated to supervise the construction and maintenance of the transport infrastructure in the country. The entity prepares its financial statements on accrual basis in accordance with International Public Sector Accounting Standards (IPSAS).

- (a) The following are financial statements of National Transport Infrastructure Authority for the year ended 30 June 2022:

Statement of financial position as at 30 June:

	2022 Shs 'million'	2021 Shs 'million'
Non-current assets		
Infrastructure, property, plant and equipment	332,794	316,599
Intangible assets	<u>10,000</u>	=
	342,794	316,599
Current assets		
Inventories	170,000	140,000
Trade and other receivables	214,000	150,000
Advances	94,866	62,354
Cash and cash equivalents	<u>5,000</u>	<u>12,000</u>
	483,866	364,354
Total assets	826,660	680,953
Equity		
Taxpayers' equity	250,000	152,000
Retained surplus	172,550	168,553
Revaluation reserves	<u>7,230</u>	<u>4,550</u>
	429,780	325,103
Non-current liabilities		
Long term borrowing-Exim Bank	250,000	247,000
Conditional grants	<u>34,710</u>	=
	284,710	247,000
Current liabilities		
Taxes payable	20	15
Trade and other payables	102,000	83,620
Contributions to employee pension	150	215

Current portion of long-term borrowing	<u>10,000</u>	<u>25,000</u>
	112,170	108,850
Total equity and liabilities	826,660	680,953

Statement of financial performance

	Shs 'million'
Revenue:	
Road toll fees	6,500
Government grants	3,628,726
Transfers from other government units	856,375
Donor funds	<u>345,957</u>
Total income	4,837,558
Operating expenses:	
Employee costs and benefits	57,885
Goods and services consumed	4,627,880
Depreciation	60,540
Transfers to other organisations	86,701
Finance costs	<u>345</u>
	4,833,351
Surplus before tax	4,207
Revaluation	2,680
Taxation	(210)
Surplus after tax	6,677

Additional information:

- 1 During the year, National Transport Infrastructure Authority revalued its land and purchased additional machinery, thereby increasing its capacity. A machine with carrying amount Shs 4,000 million, on which Shs 2,000 million depreciation had been written off, was scrapped during the year and replaced with a similar machine at a cost Shs 17,515 million.
- 2 On 1 February 2022, NTIA obtained authorisation to manage the collection of road toll fees on the Eastern expressway. Some government vehicles owed Shs 300 million in unpaid toll fees and this amount is included in the receivables. However, because of the volume of trips they make per day on the road, the government vehicles had qualified for a rebate of 2% and this had not been taken into account by the yearend.
- 3 Inventories at the yearend include items worth Shs 345 million that NTIA had purchased for distribution to project-affected persons (PAPs)

at a nominal fee at a time when the general inflation in the country was at its peak and fuel prices had skyrocketed. The prevailing market price of these items at the close of the year was Shs 150 million.

- 4 On 29 June 2022, NTIA acquired new software, enterprise resource planning (ERP), to enable management address information management needs and there was no need for amortisation.
- 5 The finance costs relate to the Exim Bank loan acquired to finance the construction of the authority's office building at a rate of 3% per annum and interest payment for delays in settlement of contractors' interim payment certificates (IPCs). Interest on Exim Bank loan Shs 105 million had not been paid. Payment of Shs 80 million made as interest for one of the IPCs has now been established as non-qualifying and should be recovered from the next IPC payment.

Required:

- (i) Prepare National Transport Infrastructure Authority's cash flow statement for the year ended 30 June 2022 using the direct method.

(18 marks)

- (ii) Discuss the relevance of cash flow information to NTIA and its stakeholders and the need to classify cash flows as operating, investing and financing activities as guided by IPSAS 2—Cash Flow Statements.

(6 marks)

- (iii) Comment on the infrastructure, property, plant and equipment basing on the information provided.

(3 marks)

- (b) During a board meeting to discuss the financial statements for the year ended 30 June 2022, the Director Finance of NTIA told the board members that, "General purpose financial reports of public sector entities are prepared primarily to respond to information needs of service recipients and resource providers who do not possess the authority to require a public sector entity to disclose the information they need for accountability and decision-making purposes". This was in response to a new board member who had wondered why the authority had prepared general purpose financial reports.

Required:

Advise the new board member on the primary service recipients and resource providers and their likely decisions based on financial information of public sector entities.

(8 marks)

- (c) NTIA obtained financing for the upgrade and tarmacking of urban roads in Kagera, Mulanda and Kongunga Municipalities in Eastern Uganda. During consultative meetings with the project-affected persons (PAPs) attended by the local leaders, it was observed that there are role conflicts and ambiguities especially between the accounting officers/ chief executives and the leaders of the respective municipal councils.

In a bid to sensitise the parties and iron out these impediments, NTIA has consulted you to offer guidance on the roles and duties of the different parties in the implementation of the road upgrade and tarmacking projects.

Required:

Prepare notes for the next meeting with the stakeholders in which you advise on the roles of the following in relation to management of a local council's resources and projects:

- (i) Chief Executive
- (ii) The Council

(8 marks)

(7 marks)

(Total 50 marks)

SECTION B

Attempt two of the three questions in this section

Question 2

Uganda Printing and Publications Company (UPPC), a public entity, is in the process of evaluating bids for the provision of stationery material supplies needed. During the preparation of the budget for the financial year 2023/2024, management indicated that in the recent past, the entity has had challenges in addressing various issues that arise in the course of procurement and budgeting.

In a bid to streamline the procurement processes, the accounting officer recently appointed new members to the evaluation committee. The new members are, however, interested in understanding the requirements and guidance of the Public Procurement and Disposal of Public Assets (PPDA) Act, 2003 as amended in regard to bid evaluation and other relevant matters they need to be familiar with.

During the year, the accounting officer received a reminder in regard to preparation and submission of the budget framework papers to the ministry and alignment of the entity's annual budget to the National Development Plan (NDP III). He is concerned that none of the staff of UPPC has sufficient knowledge and time to help so as to meet the requirements of public finance laws and regulations.

Required:

As a public financial management expert:

- (a) Advise, in accordance with the PPDA Act, 2003 as amended, the members of the evaluation committee on the:
 - (i) Membership of the evaluation committee **(4 marks)**
 - (ii) Requirements of the law relating to evaluation criteria **(3 marks)**
 - (iii) Circumstances under which a bid shall be administratively compliant under the preliminary evaluation stage of bids when using the quality and cost-based selection evaluation method. **(3 marks)**
- (b) Advise the accounting officer on how to ensure that there is a linkage of the entity's annual budget to the National Development Plan. **(11 marks)**
- (c) Examine the role of Parliament in the national annual budget formulation, execution and reporting. **(4 marks)**

(Total 25 marks)

Question 3

Solot Metropolitan Council (SMC) received a grant of Shs 250 billion from Danish International Development Agenda (DANIDA) on 1 July 2020, to be used to improve on the drainage in the city and build 15 blocks of 8 classrooms each in three schools. 40% of the grant was used for drainage improvement and the balance, for building classroom blocks. The conditions for the grant were that the funds could only be used as stipulated and SMC is required to report on details of grant utilisation in its financial statements audited by a firm appointed by DANIDA. The grant was to be utilised in a period of two years or be returned to DANIDA.

The following information shows the performance of SMC in the first two years:

Year 1

Drainage work was at 25%.

Two blocks of 8 classrooms in two schools were completed and one block of 6 classrooms was completed in the third school.

Year 2

Drainage work was at 80%.

13 blocks of 8 classrooms in the three schools were completed.

SMC also started construction of a waste disposal plant and site as a precursor to drainage improvement. The cost of the plant was budgeted at Shs 40.5 billion and included in the annual budget for financial year 2021/2022. However, SMC had a deficit in its budget and sought authority from the Ministry of Finance to borrow in order to finance the budget deficit for the financial year. This was approved by Parliament in the Appropriation Act.

Over the period of construction, SMC had the following loans from different institutions:

Exim Bank Shs 10 billion, with an annual interest rate of 8%.

Citi Bank Shs 2 billion, with an annual interest rate of 10%.

World Bank Shs 25 billion, with an interest rate of 5%.

The construction of the plant was completed and commissioned on 1 July 2022 with the signing of an agreement with Garbage Masters Limited (GML) to manage the plant and site for a period of 10 years. The terms of the agreement allow GML to charge a fee for all garbage taken to the site and undertake any major repairs or development deemed necessary for efficient use of the plant and site within the period of the agreement. GML estimates that it will collect Shs 120 million per month to cover operational costs of Shs 40 million per month and major development expected in the second year of the contract.

In July 2023, GML did a major modification of the plant that cost Shs 4.2 billion in order to increase its capacity to handle the increasing volume of garbage. The estimated useful life of the plant is 20 years and the interest rate implicit in the arrangement is 12 %.

SMC's chief finance officer (CFO) has had challenges in accounting for the above transactions. The entity prepares its financial statements on accrual basis in accordance with International Public Sector Accounting Standards (IPSAS).

Required:

Advise, with suitable computations and in accordance with the relevant IPSAS, the CFO on the:

- (a) Accounting treatment of the grant from DANIDA in SMC's books of account.
(8 marks)
- (b) Interest rate for determining the borrowing costs eligible in the construction of the waste disposal plant and site and the disclosures required in the financial statements.
(7 marks)
- (c) Service concession arrangement with GML for the first two years of the agreement and the disclosure required.
(10 marks)

(Total 25 marks)

Question 4

Oil and Petroleum Board (OPB) is a public entity charged with regulation of activities relating oil extraction, processing and export of oil products.

In a bid to streamline its activities, the entity has embraced the reforms in public financial management that have been ongoing and will continue for the near future. In order to address the challenges in management of its fixed assets, OPB has made attempts to automate the way information regarding fixed assets is managed, including the introduction of the fixed assets and inventory management system (FAIMS) in line with the public financial management reforms.

Recently, OPB enrolled on the Treasury Single Account (TSA) payment system. In the last management meeting, the director of finance said, "The Treasury Single Account is one 'magic eye' through which the Government has a consolidated view of and control over its cash resources. The Government of Uganda TSA Framework has been implemented in a phased manner—initially to cover expenditure and revenue bank accounts for Central Government votes and gradually, to include salary accounts, holding accounts, non-donor funded

projects and deposits accounts and later, it will include the donor-funded projects and other accounts holding public funds”.

In line with its policy on human resource development, OPB organised an induction session for their newly recruited staff in regard to, among other aspects, standards of behaviour expected in public service. During the session, the presenter said, “The Code of Conduct and Ethics for Uganda Public Service sets out standards of behaviour for public officers and is designed to ensure impartiality, objectivity, transparency, integrity, efficiency and effectiveness of public officers when performing their duties and also, sets out penalties that shall apply in case of misconduct”.

Management is interested in understanding how the above reforms and systems operate and has hired you to provide guidance.

Required:

As a consultant, prepare a report to management:

- (a) Discussing the necessary steps that OPB should put into account for the successful implementation of the FAIMS. **(4 marks)**
 - (b) Assessing the likely benefits that can accrue to OPB by implementing the FAIMS. **(8 marks)**
 - (c) Discussing, with reference to the TSA Framework, the:
 - (i) Objectives of the Treasury Single Account **(3 marks)**
 - (ii) Responsibilities of the office of the Accountant General **(5 marks)**
 - (d) Advising OPB staff on the requirements of the Code of Conduct and Ethics for Uganda Public Service regarding communication of information. **(5 marks)**
- (Total 25 marks)**



Answers

ANSWERS TO TEST PAPER 1

CPA (U) NOVEMBER 2017

Question 1

- (a) Kyengera Municipal Council
 (i) Statement of financial performance for the period ended 30 June, 2016

Income:	Shs '000'
Local Revenue (w1)	631,358
Government Grants (w2)	5,628,726
Other Incomes (w3)	<u>856,375</u>
Total Income	7,116,459
Expenditure:	
Administration	1,159,762
Finance (w4)	1,627,880
Statutory bodies	489,727
Production	800,310
Health and environment	255,485
Education	5,750
Works (3,000,759 + 6,000)	3,006,759
Natural Resources	21,600
Community based services	263,243
Planning	48,800
Internal audit	<u>73,398</u>
Total expenditure	<u>7,752,714</u>
Deficit from operations	(636,255)
Transfers to treasury	<u>(97,000)</u>
Deficit for the year	<u>(733,255)</u>

- (ii) Statement of financial performance for the period ended 30h June 2016
 Statement of Financial Position as at 30 June, 2016

Assets	Shs '000'
Non-current assets	
Property, plant & equipment (w5)	7,697,977
Current assets:	
Inventory - supplies	27,000
Petroleum products	81,300
Trade receivables (w8)	373,657
Administrative advances (20,000 - 6,000)	14,000
Revenue accounts	65,000
Expenditure accounts (39,122 - 10,000)	29,122
Project accounts	13,000
Cash	<u>1,600</u>
	<u>604,679</u>
Total assets	<u>8,302,656</u>

Capital & liabilities:	Shs '000'
Capital & reserves:	
Revenue reserves (w6)	(274,782)
Capital reserves (w7)	<u>7,697,978</u>
	<u>7,423,196</u>
Current liabilities:	
Retention on road works	838,195
Withholding tax payable	<u>41,265</u>
	<u>879,460</u>
Total capital and liabilities	<u>8,302,656</u>

Workings:

W1 Local revenue

	Shs '000'
Land fees	86,030
Local service tax	16,720
Business licenses	182,139
Liquor licenses	39,336
Other licenses	92,133
Market charges (100 + 115)	<u>215,000</u>
	<u>631,358</u>

W2 Central Government Grants

	Shs '000'
LG Unconditional Grants	1,256,444
Compensation for Graduated Tax	816,068
Conditional transfers for PAF monitoring	1,008,573
Conditional transfers for LGDP	197,603
LG Equalisation Grants	<u>2,350,038</u>
	<u>5,628,726</u>

W3 Other incomes

	Shs '000'
Cash surplus	1,600
Amortisation of capital reserves/ Depreciation	<u>854,775</u>
	<u>856,375</u>

W4 Finance

	Shs '000'
Trial balance	780,105
Inventory	(27,000)
Land fees due written off	20,000
Depreciation charge	<u>854,775</u>
	<u>1,627,880</u>

W5 Property, plant & equipment

	Shs '000'
Cost	10,913,621
Accumulated depreciation	<u>(3,070,869)</u>
Carrying amount b/ f	7,842,752
Depreciation (10% x 7,842,752)	(784,275)
Grader	700,000
Furniture	10,000
Depreciation for grader (10% x 700)	(70,000)
Depreciation for furniture (10% x 10 x 0.5)	<u>(500)</u>
Carrying amount c/f	<u>7,697,977</u>

W6 Revenue reserves

	Shs '000'
Balance b/ f	468,473
Deficit for the year	(733,255)
Transfer to capital reserves-furniture acquired	<u>(10,000)</u>
Balance c/f	<u>(274,782)</u>

W7 Capital reserves

	Shs '000'
Balance b/ f	7,842,753
Grader	700,000
Furniture acquired	10,000
Amortisation of capital reserves	<u>(854,775)</u>
Balance c/f	<u>7,697,978</u>

W8 Trade receivables

	Shs '000'
Trial balance	278,657
Land fees due written off	(20,000)
Market dues receivable	<u>115,000</u>
Balance c/f	<u>373,657</u>

- (b) Report on preparation of abstracts and their linkage to the ledgers, and recording of grants from central government and other government units.

To: All accounts and finance staff

From: Senior Accountant

Date: 3 March, 2017

Accounting and reporting in Local Governments

Introduction

The purpose of this report is to provide guidance to all accounts and finance staff about preparation of abstracts and ledgers, and recording of grants from central government and other government units. I hope this report will assist you in preparing your accounts in your respective units.

- (i) Preparation of “Abstracts” and their linkage to the “ledgers”.
- The abstract shall be used as a medium of classifying data for purposes of posting to the General Ledger accounts. Under a manual accounting system it will consist of two types:
 - The Revenue Abstract that classifies receipts of revenue per programme, sub-programme and account codes.
 - The Expenditure Abstract, which classifies expenditure items per programme, sub-programme and account code.
 - Posting to the Abstract is made from source documents, such as receipts for the Revenue Abstract, and payment vouchers for the Expenditure Abstract.
 - There are neither opening nor closing balances in the Abstract, except the balances carried from one page to another during the month.
 - At the end of each month the Abstract shall be totaled according to the classifications made, and posted to the relevant programmes, sub-programmes, and account codes in the General Ledger.
 - Each entry posted from the Abstract to the General Ledger Account shall be referenced to the supporting voucher, receipts, and or any other documentation.
 - As the abstract is prepared up to the end of the month, the date of posting to the General Ledger is the last day of the month.
 -

Illustration of a posting to the expenditure abstract

XXX Council
Expenditure abstract
Folio No. ABS 1
Abstract of expenditure for the month of May 20xx

Department: 07 Works			Programme: 3 Water	
Code	221011		222001	
	Vr	Shs	Vr	Shs
	231	5,000,000	123	1,000,000
	456	10,000,000	206	2,500,000
Total		15,000,000		3,500,000
Prepared by:			Date:	
Checked by:			Date:	
Approved by:			Date:	

Illustration of posting to the general ledger

XXX Council
Expenditure Ledger

Department: 07 Works			Programme: 3 Water		
Item: Telecommunications			Code: 222001		
Date	Details	Folio	Debit	Credit	Balance
			Shs	Shs	Shs
31/5/20xx	May Abstract	ABS 1	3,500000		3,500000

Recording of grants from central government and other government units.

- Grants received by the local government from the Treasury or other government unit should, on receipt, be treated as clearing inter-government transfers (and therefore current liabilities/accounts payable).
- They will only be removed from this classification to and transferred to the revenue classification (recurrent or capital receipts) only after the local government to which the transfers were made has rendered a return (accountability) indicating the actual activities for which the funds were expended.
- The reasoning behind this treatment is that should the local government fail to provide accountability, the funds are reimbursable to the Treasury or the other government unit where they originated.

- Therefore, when grants are received from the Treasury or other Government unit the local government should make the following record in its books of accounts:

Date	Account	Code	Dr	Cr
31/7/20xx	Collection Account (General Fund)	321106	xx	
	The relevant government grants clearing liability account	Select from 416001 to 416040		xx

- When the Local Government renders a return to the centre or to the other government unit where the grant originated to explain the use of the funds, the following accounting entry should be made to remove the amount used from the liability section to the revenue section.

Date	Account	Code	Dr	Cr
15/10/20xx	The relevant government grants clearing liability account	Select from 416001 to 416040	xx	
	The relevant grant revenue account	Select from 133101 to 133206		xx

(c) Notes

- (i) Fund accounting' and 'budgetary accounting' and their applicability to financial reporting in Uganda.

Fund accounting refers to the method of accounting which reports in terms of funds rather than in terms of organizations. Is a method of segregating resources into categories (i.e. funds) to identify both the source of funds and the use of funds. In this case, separate fund accounts are created for each area/activity.

Objectives of fund accounting

- Demonstrating accountability and stewardship
- Determining the financial condition
- Planning and budgeting
- Evaluating organisational and managerial performance
- Determining/forecasting cash flows
- Communication

A number of funds have been established in Uganda. These include; NSSF, Energy Fund, Uganda Road Fund, Consolidated Fund, Contingencies Fund, Petroleum Fund, among others.

Budgetary accounting refers to the practice by many public sector organizations and especially governments, of keeping and presenting their operating accounts in the same format alongside their budgets. The purpose of this practice is to emphasize the role of the budget in the cycle of planning – control – accountability.

The GoU financial reporting templates require entities to report their operating accounts alongside their budgets through the Statement of Appropriation account.

- (ii) Specific initiatives being undertaken by government to improve budget implementation, monitoring and reporting.

Quarterly Cash Limits and Release of Funds: The Ministry of Finance, Planning and Economic Development remains committed to timely release of funds to all spending agencies to facilitate implementation of Government Programmes. This is being done through enforcing submission of clear work-plans and quarterly cash projections as a basis for release of funds but with minor adjustments for performance of revenue.

Direct Transfer of Funds to Service Delivery Units: Effective FY 2013/14, funds are transferred directly to Town Councils and Schools as well as aligning the quarterly releases with the school academic calendar for education and planting seasons for Agriculture. Currently, funds are also being transferred directly to health centers.

Performance Reporting: As part of the requirement to track the implementation of Government programmes and also improve accountability in the use of public resources, all Accounting Officers are required to submit timely and quality performance reports indicating how the funds released to them have been utilised, the outputs delivered and location.

Budget Monitoring: The Budget Monitoring and Accountability Unit (BMAU) has intensified the monitoring of implementation of various Government programmes with emphasis on the major sectors of Works and Transport, Energy, Health, Education, Agriculture, Water and Trade and Industry.

Output Budgeting Tool (OBT):

OBT reporting concerns production of physical progress reports showing the number of the outputs achieved.

Programme Based Budgeting (PBB)

In year reporting –quarterly, half annual, 9 months and annual.

Question 2

(a) (i) Relevance of signed contract (Regulation 10, of 2014)

- clearly identify the obligations of each party;
- correlate all payments by a procuring and disposing entity with the corresponding input, obligation or deliverables by a provider, in a specific identifiable and measurable manner;
- provide effective supervision arrangements, where required;
- provide adequate monitoring and cost control measures, where required;
- include adequate and clear delivery, acceptance and handover or commissioning arrangements, where required; and
- the procedure and right of the parties to terminate the contract

(ii) Factors that determine the choice of contract for a PDE

A PDE shall, determine the contract type appropriate for a procurement or disposal after taking into account—

- the nature of the procurement or disposal requirement;
- the need to minimise risk for a procuring and disposing entity;
- the need to maximise value for money for a procuring and disposing entity;
- the likelihood of any delays or unforeseen circumstances requiring contract extensions, or variations of change of orders; and
- the need for effective contract management and cost control

(b) (i) definition of force account mechanism

Sec 95A sub (2) defines “force account mechanism” as means undertaking the works of a procuring and disposing entity using the personnel and equipment of the procuring and disposing entity or of another procuring and disposing entity

(ii) The responsibility of supervisor under force account

- approve the work plan;
- supervise the progress of the assignment;
- verify the works undertaken and the costs of the works; and
- issue performance and completion certificates in respect of the assignment
- supervise the public officer appointed under regulation

(iii) Procurement of consultancy services (sec 88A)

- A procuring and disposing entity shall procure a consultancy service by publishing a notice, as specified in the Fourth Schedule to the Act, inviting expression of interest for a required assignment.
- The procuring and disposing entity shall, from the expressions received in respect of the notice, prepare a shortlist of consultants, who have the capacity to perform the required assignment.
- A procuring and disposing entity may procure consultancy services using a shortlist of consultants developed—

- from the register of providers of the Authority;
- on the recommendation of a competent authority;
- using the pre-qualified list of the procuring and disposing entity; or
- using the pre-qualified list of another procuring and disposing entity.

A procuring and disposing entity shall procure consultancy services using a short list where—

- the required consultancy services can only be provided by a limited number of consultants;
- the time and cost required to examine and evaluate a large number of expressions of interest is not proportionate to the value of the assignment to be undertaken; or
- there is an emergency situation.

The selection methods to be used for the selection of consultants shall be prescribed by regulations made under this Act and shall include—

- quality and cost based selection method;
- quality based selection method;
- fixed budget selection method;
- least cost based selection method; and
- the consultants' qualifications selection method.

Question 3

- (a) Reforms to improve public financial management and accountability systems.

Reforms in Improving Wage Bill and Payroll Management

- Interfacing the Integrated Personnel and Payroll System (IPPS) with the Integrated Financial Management System (IFMS)

The interface of the two systems will enable payment of all staff salaries through the IFMS as the sole Government payment system. As a result, all payroll records have been transferred from the old Legacy System under Uganda Computer Services (UCS) to the IPPS.

- Decentralization of Payroll Processing and Salary Payments

Transfers of the responsibility for processing of the payroll and approval of salary payments from the Ministry of Public Service and the Ministry of Finance, Planning and Economic Development respectively, to the respective Accounting Officers

- Entering of Staff Lists in the Output Budgeting Tool (OBT)

One of the major causes of wage bill overruns and supplementaries is lack of a prudent criteria for allocation of wage estimates among various Government Agencies and failure to involve the Heads of Cost Centres like Schools, Health Centre, Sub-country and Police Post, among others in the budgeting for salaries therefore upgraded the Output Budgeting Tool (OBT) to enable the Heads of the Cost Centres to provide detailed staff information.

- **Audit of the Government Payroll**
The major objective of this audit exercise is to establish the validity, authenticity and accuracy of all the current payroll records. This exercise will also involve conducting a systems audit of the Integrated Personnel and Payroll System (IPPS) to establish its effectiveness in the processing and management of the Government payroll.
- **Printing and Display of Payrolls on Public Notice Boards**
Accounting Officers and Heads of Cost Centres are required to print and display monthly payrolls on public notice boards for scrutiny. To get rid off “ghosts” and other payroll irregularities on the Government payroll
- The Salaries review commission of 2017 reviewing the salaries of civil servants.
- Decentralization of the pension and gratuity.
- Publishing payrolls on the entity notice boards and in the final accounts.

(b) **Objectives of the Treasury Single Account**

- To strengthen the institutional capacity both at the Ministry of Finance, Planning and Economic Development and votes for better day to day cash and debt management;
- To eliminate the need for cash rationing which affects service delivery. This will also tackle the issue of low absorption of funds; and
- Limit the number of Bank Accounts operated by Government Agencies
- Eliminate operational inefficiency and costs associated with maintaining multiple accounts across multiple financial institutions
- Establish an efficient disbursement and collection mechanism for Government funds

(c) **Benefits and challenges of implementing programme based budgeting**

Programme budgeting is a form of performance budgeting in which budget expenditure is planned and managed by programme. The objectives of each budget programme are clearly specified and formally approved by the government and the legislature

An initial step in programme budgeting is to establish budget programmes for all or most expenditures of the annual budget.

Under a fully fledged programme-based annual budget, Parliament votes the budget allocations by ‘programme’, and Medium Term Expenditure Framework(MTEF) projections accord with the same ‘programmes’ as those of the annual budget.

(2 marks)

Benefits of implementing Programme Based Budgeting

- The budget office/Ministry of Finance(MOF) will only be more concerned with broader resource allocation decisions than with micro-management of spending ministries,
- Line ministries have more flexibility in determining their annual (programme) budgets.
- The quality of technical budget negotiations between the Ministry of Finance(MOF) and line ministries will improve. Budget negotiations will focus on programmes’ outputs, and policy outcomes than on line items
- Information from performance reports will be used to inform the ceilings for line ministries

- There will be a notable improvement in achieving service delivery objectives, outputs and outcomes as programmes are implemented as per appropriations

Challenges for implementation

- Challenges in instilling a performance culture and holding budget programme managers to account.
Such a culture is needed to facilitate a change in the role of the central ministries (finance, planning, etc.) which, under PPBB, need to relax some centralised control in exchange for greater accountability of budget managers in spending ministries.
- Organisational challenges
PBB is often part of an overall PFM reform process, which, in turn, is part of reforms of the public administration and civil service. Success is more likely when all reforms are integrated and sequenced in a coherent manner. This may induce changes in the structure of government ministries and agencies to align their functions more closely with the objectives of new budget. The alternative is not to change organizational structures and attempt to graft budget programmes into the existing structures of ministries. A balance between the two approaches is needed.
- Capacity challenges in applying Programme Based Budgeting
During PBB implementation, the most significant challenge for countries is insufficient training for all officials and lack of the necessary resources – time, staff and funds.
- Unclear policy/programme objectives make it difficult to set performance measures.
Challenges in formulating clear objectives (outcomes) and/or developing pertinent performance information for use in budget allocation decisions.
- Legal challenges
The implementation of PBB will require change in legal and regulatory framework. There would be a need to enact new regulations for implementation
- Understanding Performance and Programme Based Budgeting concepts such as programmes, outputs, outcomes, etc.
Lack of clear understanding how to complete and use the prescribed formats; weak or non-existent methodologies for costing programmes; differentiating between out and outcomes will pose a big challenge

Question 4

(a) Disclosure requirements

For each class of provision, an entity shall disclose:

- The carrying amount at the beginning and end of the period;
 - Additional provisions made in the period, including increases to existing provisions;
 - Amounts used (that is, incurred and charged against the provision) during the period;
 - Unused amounts reversed during the period; and
 - The increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate.
- Comparative information is not required.

- An entity shall disclose the following for each class of provision:
 - A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential;
 - An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph 58; and
The amount of any expected reimbursement, stating the amount of any asset that has been recognized for that expected reimbursement.
 - Unless the possibility of any outflow in settlement is remote, an entity shall disclose, for each class of contingent liability at the reporting date, a brief description of the nature of the contingent liability and, where practicable:
 - An indication of the uncertainties relating to the amount or timing of any outflow; and
 - The possibility of any reimbursement.
 - An entity may in certain circumstances use external valuation to measure a provision. In such cases, information relating to the valuation can usefully be disclosed.
- (b) Analyzing on the contingent liability
- (i) At June 30, 2015
 Present obligation as a result of a past obligating event – On the basis of the evidence available when the financial statements were approved, there is no obligation as a result of past events.
 Conclusion
 No provision is recognized by the entity. The matter is disclosed as a contingent liability unless the probability of any outflow is regarded as remote
- (ii) At June 30, 2016
 Present obligation as a result of a past obligating event – On the basis of the evidence available, there is a present obligation. Settlement – Probable
 Conclusion
 A provision is recognized for the best estimate of the amount to settle the obligation

(c) Calculating impairment loss

Carrying amount of desktop computer:	Shs
Cost at acquisition	4,800,000
Accumulated depreciation $(4,800,000/4) \times 3$	<u>3,600,000</u>
Carrying amount	<u>1,200,000</u>

Calculation of recoverable service amount

	Shs
Cost of replacement	900,000
Accumulated depreciation $(900,000/4) \times 3$	<u>675,000</u>
Recoverable service amount	<u>225,000</u>

Calculation of impairment loss

	Shs
Impairment = carrying amount - recoverable amount	1,200,000
	<u>(225,000)</u>
Impairment loss	<u>975,000</u>

(d) Steps followed in consolidation

(i) Steps an entity should follow to ensure that the consolidated financial statements present financial information about an economic entity as that of a single entity.

- The carrying amount of the controlling entity's investment in each controlled entity and the controlling entity's portion of net assets/equity of each controlled entity are eliminated (the relevant international or national accounting standard dealing with business combinations provides guidance on the treatment of any resultant goodwill);
- Minority interests in the surplus or deficit of consolidated controlled entities for the reporting period are identified; and
- Minority interests in the net assets/equity of consolidated controlled entities are identified separately from the controlling entity's net assets/equity in them. Minority interests in the net assets/equity consist of:
 - The amount of those minority interests at the date of the original combination (the relevant international or national accounting standard dealing with business combinations provides guidance on calculating this amount); and
 - The minority's share of changes in net assets/equity since the date of combination.

(ii) The following disclosures shall be made in consolidated financial Statements:

- A list of significant controlled entities;
- The fact that a controlled entity is not consolidated in accordance with paragraph 21;
- Summarized financial information of controlled entities, either individually or in groups, that are not consolidated, including the amounts of total assets, total liabilities, revenues and surplus or deficit;
- The name of any controlled entity in which the controlling entity holds an ownership interest and/or voting rights of 50% or less, together with an explanation of how control exists;
- The reasons why the ownership interest of more than 50% of the voting or potential voting power of an investee does not constitute control;
- The reporting date of the financial statements of a controlled entity when such financial statements are used to prepare consolidated financial statements and are as of a reporting date or for a period that is different from that of the controlling entity, and the reason for using a different reporting date or period; and;
- The nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements or regulatory requirements) on the ability of controlled entities to transfer funds to the controlling entity in the form of cash dividends, or similar distributions, or to repay loans or advances.

Question 5

(a) Functions of parliament budget office

The purpose of the Parliamentary Budget office is to provide Parliament and its Committees with objective, independent and timely analysis of the national budget.

- To provide budget-related information to all committees in relation to their jurisdictions
- Submit reports on, but not limited to, economic forecasts, budget projections and options for reducing the budget deficit
- Identify and recommend on Bills that provide an increase or decrease in revenue and the budget
- Prepare analytic studies of specific subjects such as finance risks, posed by Government sponsored enterprises and financial policy
- Generally give advice to parliament and its committees on the Budget and National economy

(b) Preconditions for successful implementation of commitment controls

- Strong political commitment and accountability;
- Sound regulatory framework;
- Realistic budget and adequate budget coverage;
- Effective cash planning and management; and
- Well established accounting and reporting system.
- A functioning internal and external audit system is also sometimes considered as a precondition for introducing commitment controls. Indeed, an effective system of internal audit is essential for evaluating and improving effectiveness of internal control processes and management, including commitment control system.

(c) Report format

- To
- From
- Date
- Subject
- Introduction
- Conclusion

(i) Relevance of MTEFS

- Aggregate fiscal discipline – spending is sustainable and limited by resource availability
- Budget allocations reflect explicit spending priorities (allocative efficiency)
- Delivery of goods and services is cost-efficient
- Also greater transparency and accountability of public finances
- Including greater involvement of sector ministries in the whole budget process
- And better linking of the budget with national planning mechanisms

- (ii) **Relevance Warrants and cash limits**
- Warrant is the process used by Ministry of Finance to authorize moneys to be released for spending by government departments and agencies. The expenditures of government are made under various forms of authorizations. The authorizations are to ensure that all payments are made
 - A cash limit is a fixed amount of money which can be spent during a specified period say a quarter.
 - The revenue controlling authorities give proper authorizations for the release of monies for the various types of expenditures.
 - Relevance
 - To control cash expenditures and unwanted commitments (Budget compliance is enabled)
- (iii) **Relevance of Local councils**
- Local Councils debate and approves the budget
 - To provide technical support to Parliament in its legislative and oversight functions
 - To help Parliament comply with the Budget Act, 2001
 - To strengthen the capacity of the Department for effective service delivery
 - To disseminate information to stakeholders about the function of the Parliamentary Budget Office
 - Oversight and Control (Ongoing)
 - Within-year monitoring
- (iv) **Relevance of virements and Reallocations**
- A Virement is the transfer of budgeted funds from an unspent appropriation category to another, but within one head of appropriation.
- The **reallocation involves** a budget item or amount needs to be moved from one chart field to another (i.e. from one department to another, to another account within the same department, etc.)
- Allows spending on emergency situations
 - Permits budget implementation even in unfavourable economic challenges like during inflation
 - Permits budget realignment to suit the vote needs

ANSWERS TO TEST PAPER 2

CPA (U) JUNE 2018

Question 1

(a) (i)

The difference between Government and Business organizations

Business organizations are those that are privately owned and not part of the government. These include corporations, sole proprietorships and partnerships. Public organizations on the hand are organizations that are owned and operated by the government. These include federal, provincial, state, or municipal governments.

The differences between the two in financial management are as follows

i) Planning

While both public and private sectors use budgets as a key planning tool, public bodies balance budgets, while the private sector uses budgets to predict operating results. The public sector budget matches expenditures on mandated assets and services with receipts of public money such as taxes and fees. If a public sector budget doesn't balance, you have to cut services, raise taxes or borrow the difference. In the private sector, you forecast revenues and expenses to estimate how much profit your company will make. If your profit is too low, you can cut costs or increase the marketing budget and predict higher sales.

ii) Objectives

The financial objectives of a public-sector body are to maximize the delivery of services to the client group while keeping expenses to the authorized limit. Financial success is spending the amount authorized in the budget to provide the projected services. The objective is to meet the budgeted numbers. The objective of a business is to reduce costs and increase revenue to maximize profit. A private-sector organization aims to spend less and sell more than predicted in the budget. Success is to exceed the profit forecast.

iii) Accounting

Public sector organizations carry out bookkeeping and accounting functions as detailed in the governing legislation. Financial controls are aimed at proving that spending is according to the amounts approved by the legislative bodies. Politicians are interested in spending rather than in tracking the effect on asset values and liabilities. Private-sector accounting follows generally accepted accounting principles that govern how assets and liabilities are shown in the balance sheet of the company. The emphasis is on determining how much profit the company has made and how financially stable it is.

iv) Audits

Both public- and private-sector organizations require auditing to verify the accuracy of their financial management. Public government organizations are audited by the government office responsible for the verification of government accounts. Other public agencies and private-sector organizations may provide financial statements audited by accounting professionals or accounting companies licensed to carry out this work. Large corporations have to prepare annual audited financial statements for their shareholders. While the auditing process is similar for the public and private sectors, the material audited differs, because public-sector audits establish that expenses are accurately portrayed, while private-sector audits show that the profitability and financial stability of a company are presented correctly.

(a) (ii)

Powers of Secretary to the Treasury

The powers of the Secretary to the Treasury are highlighted in Section 11 (3) of the Public Finance Management Act 2015. The powers include the following

- i) Issue directives and instructions to Accounting Officers.
- ii) In writing, require an Accounting Officer or an Accounting Officer of a local government to supply any information that the Secretary to the Treasury considers necessary for the purposes of this Act.
- iii) Inspect during working hours, the office of a vote and gain access to any information the Secretary to the Treasury may require, with regard to the money and records regulated by this Act.
- iv) For the purposes of subsection (3) (c), the Secretary to the Treasury may authorize a public officer to inspect the office of a vote.

Responsibilities of the Accountant General

Responsibilities of Accountant General are provided for in Section 46 (1) of the Public Finance Management Act and include the following

- i. The compilation and management of the accounts of votes;
- ii. the custody and safety of public money;
- iii. the resources of Government;
- iv. the custody of all government certificates of titles for investments; and
- v. the maintenance of a register of government investments

The Delegation of a function or responsibility by an Accounting Officer.

The delegation of a function or responsibility by Accounting Officer is covered in Section 45 (6-8) of the Public Financial Management Act 2015

Section 45 (5) provides that an Accounting Officer shall be responsible and personally accountable to Parliament for the activities of a vote.

Section 54(6) provided that an Accounting Officer may delegate a function or responsibility of Accounting Officer specified in this Act, to a public officer under the control of the Accounting Officer.

Section 45 (7) provides that Where an Accounting Officer delegates a function or responsibility under subsection (6) the Accounting Officer shall give such directives as may be necessary to ensure the proper exercise or performance of the function or responsibility.

Section 45(8) provide that an Accounting Officer shall be personally accountable for a function or responsibility that is delegated under this section

(b)

(i) The consolidated Statement of financial Performance for the year ended 30th June, 2017

				Difference Between Final and Actual
		Final Budget	Original Budget	
Revenue collected				
Taxes	8,000,000,000	8,000,000,000	7,439,510,000	560,490,000
Fees, fines, penalties and licenses	4,590,000,000	4,590,000,000	5,000,000,000	-410,000,000
Revenue from exchange transactions	2,400,840,000	2,400,840,000	2,424,453,125	-23,613,125
Transfers from other Government Entities	16,000,000,000	16,000,000,000	14,500,000,000	1,500,000,000
Other revenue	<u>4,507,000,000</u>	<u>4,507,000,000</u>	<u>3,978,418,750</u>	<u>528,581,250</u>
Total Revenue	35,497,840,000	35,497,840,000	33,342,381,875	2,155,458,125
Expenses paid				
Wages, salaries and employment benefits	13,565,000,000	13,565,000,000	11,904,886,250	1,660,113,750
Grants transfer and other payments	19,500,000,000	19,500,000,000	17,522,000,000	1,978,000,000
Supplies consumed	450,000,000	450,000,000	441,484,375	8,515,625
Depreciation expenses	820,000,000	820,000,000	1,131,311,980	-311,311,980
Other expenses	78,000,000	78,000,000	677,310,001	-599,310,001
Finance Cost	<u>1,084,840,000</u>	<u>1,084,840,000</u>	<u>1,404,480,313</u>	<u>-319,640,313</u>
Total Expenses	<u>35,497,840,000</u>	<u>35,497,840,000</u>	<u>33,081,472,919</u>	<u>2,416,367,081</u>
Surplus/Deficit			<u>260,908,956</u>	<u>-260,908,956</u>

(ii) Consolidated Statement of Financial Position as at 30th June 2017

	Masonda	Adjustment	Final
	At 30/6/2017		
ASSETS			
current Assets			
Cash and cash equivalents	760,000,000	650,000,000	1,410,000,000
Receivables	560,490,000	<u>-360,490,000</u>	200,000,000
Inventory	620,888,000		620,888,000
Prepayments	356,800,000		356,800,000
Total current Assets	2,298,178,000		2,587,688,000
Non-Current Assets			
Receivables	567,400,000		567,400,000
Investment Li Pong	500,000,000	-500,000,000	0
Infrastructure, Plant and Equipment	453,100,000	986,533,333	1,439,633,333
Land and Buildings	6,650,000,000		6,650,000,000
Total Non- current Assets	8,170,500,000		8,657,033,333
Total Assets	10,468,678,000		<u>11,244,721,333</u>

LIABILITIES			
current liabilities			
payables	4,050,000,000		4,050,000,000
Employee benefits	810,000,000	-310,000,000	500,000,000
Total current liabilities	4,860,000,000		4,550,000,000
Non-Current liabilities			
payables	24,570,000		24,570,000
Long-term borrowing	457,000,000	1,360,000,000	1,817,000,000
Total Current liabilities	481,570,000		1,841,570,000
Total Liabilities	5,341,570,000		6,391,570,000
NET ASSETS/EQUITY			
Accumulated surplus	5,127,108,000	-273,956,668	4,853,151,332
Share Capital			0
Total net assets/equity	5,127,108,000		4,853,151,332
Total net assets/equity & liabilities	10,468,678,000		11,244,721,332

Workings

1. Goodwill computation

	Kwasas	Exchange Rate	Li Pang
			Shs
Cost of acquisition			500,000,000
Net book Value $75\% \times (100+134)$	234, 000	250	43,875,000
Goodwill			456,125,000

2. Gain/Loss on disposal of the subsidiary

	Kwasas	Exchange Rate	Li Pang
			Shs
Purchase Price			650,000,000
Net book Value $(75\% \times (100+134))$	(175,500)	250	(43,875,000)
post-acquisition net profit $(75\% \times (9/12 \times 3000))$	(1,688)	295	(497,813)
Goodwill on acquisition			(456,125,000)
Gain on disposal			149,502,188

3. Value of drugs donated by UNICEF

	USD	Exchange Rate	Shs
Drugs from UNICEF (3x20,000)	60,000	3,700	222,000,000

4. Valuation of the Graders

	USD	Exchange Rate	Shs
Graders	400,000	3,020	1,208,000,000

5. **Depreciation charge for the graders**

Shs 1,208,000,000 X 20% = Shs 221,466,667

6. Value of the loan on 1st August 2014

	USD	Exchange Rate	Shs
Loan	400,000	3,020	1,208,000,000

7. Exchange loss on the loan

	USD	Exchange Rate	Shs
Loan at 1 st August	400,000	3,020	1,208,000,000
Loan at 30 th June 2015	400,000	3,400	(1,360,000,000)
Exchange loss			(152,000,000)

8. Actual taxes for the year

Revenue from taxes	Shs
Closing Balance	200,000,000
Cash collection	7,800,000,000
	8,000,000,000
Opening Balance	560,490,000
Revenue for the year	7,439,510,000

9. Actual wages for the year

Payments for wages	Employee cost
	Shs
Closing balance	500,000,000
Payment cash payment	12,098,730,000
	12,598,730,000
Opening balance	810,000,000
Wages for the year	11,788,730,000

10. Translation of the company`s statement of performance

Revenue c	Kwasas	Exchange Rate	UGX		District Share
Revenue from exchange transactions	750,000	295	221,250,000	0.5625	124,453,125
Other revenue	<u>340,000</u>	295	<u>100,300,000</u>	0.5625	<u>56,418,750</u>
Total Revenue	<u>1,090,000</u>	295	<u>321,550,000</u>	0.5625	<u>180,871,875</u>
Expenses paid			-		-
Wages, salaries and employment benefits	700,000	295	206,500,000	0.5625	116,156,250
Supplies consumed	250,000	295	73,750,000	0.5625	41,484,375
Depreciation expenses	75,000	295	22,125,000	0.5625	12,445,313
Other expenses	35,000	295	10,325,000	0.5625	5,807,813
Finance Cost	<u>27,000</u>	295	<u>7,965,000</u>	0.5625	<u>4,480,313</u>
Total Expenses	<u>1,087,000</u>	295	<u>320,665,000</u>	0.5625	<u>180,374,063</u>
Surplus/Deficit	<u>3,000</u>	295	<u>885,000</u>	0.5625	<u>497,813</u>

11 Mosada District Local government Adjusted Statement of financial performance

	Shs		Shs
Revenue		Adjustment	
Taxes	7,800,000,000	-360,490,000	7,439,510,000
Fees, fines, penalties and licenses	5,000,000,000		5,000,000,000
Revenue from exchange transactions	2,300,000,000		2,300,000,000
Transfers from other Government Entities	14,500,000,000		14,500,000,000
Other revenue	<u>3,700,000,000</u>	222,000,000	3,922,000,000
Total Revenue	<u>33,300,000,000</u>	<u>-138,490,000</u>	<u>33,161,510,000</u>
Expenses			
Wages, salaries and employment benefits	12,098,730,000	-310,000,000	11,788,730,000
Grants transfer and other payments	17,300,000,000	222,000,000	17,522,000,000
Supplies consumed	400,000,000		400,000,000
Depreciation expenses	897,400,000	221,466,667	1,118,866,667
Other expenses	674,000,000	(-152000000+149502188)	671,502,188
Finance Cost	<u>1,400,000,000</u>		1,400,000,000
Total Expenses	<u>32,770,130,000</u>		<u>32,901,098,855</u>
Surplus/Deficit	<u>529,870,000</u>		<u>260,411,145</u>

12 Consolidated Statement of financial performance

	District	Li Pong	
	Shs	Shs	Shs
Revenue collected			
Taxes	7,439,510,000		7,439,510,000
Fees, fines, penalties and licenses	5,000,000,000		5,000,000,000
Revenue from exchange transactions	2,300,000,000	124,453,125	2,424,453,125
Transfers from other Government Entities	14,500,000,000		14,500,000,000
Other revenue	3,922,000,000	<u>56,418,750</u>	3,978,418,750
Total Revenue	<u>33,161,510,000</u>	<u>180,871,875</u>	<u>33,342,381,875</u>
Expenses paid			
Wages, salaries and employment benefits	11,788,730,000	116,156,250	11,904,886,250
Grants transfer and other payments	17,522,000,000		17,522,000,000
Supplies consumed	400,000,000	41,484,375	441,484,375
Depreciation expenses	1,118,866,667	12,445,313	1,131,311,980
Other expenses	671,502,188	5,807,813	677,310,001
Finance Cost	<u>1,400,000,000</u>	<u>4,480,313</u>	1,404,480,313
Total Expenses	<u>32,901,098,855</u>	<u>180,374,064</u>	<u>33,081,472,919</u>
Surplus/Deficit	<u>260,411,145</u>	<u>497,811</u>	<u>260,908,956</u>

13 Adjustments to Accumulated surplus

	Shs
Tax Revenue	-360,490,000
Other Revenue- UNICEF	222,000,000
Wages	310,000,000
Transfers- Issue of UNICEF	-222,000,000
Depreciation of graders	-221,466,667
Exchange loss	-152,000,000
Share of Subsidiary profit	497,811
Gain on disposal of subsidiary	<u>149,502,188</u>
	<u>-273,956,668</u>
Receivables	
Adjustment	<u>(360,490,000)</u>
Adjusted balance	
Employee benefit	
Adjustment	<u>(310,000,000)</u>
Adjusted balance	
Infrastructure, Plant and Equipment	
Loan /Graders	1,208,000,000

Depreciation of graders	<u>221,466,667</u>
Adjustment	<u>986,533,333</u>
Cash and cash equivalents	
Disposal of subsidiary	650,000,000
Loan	(1,360,000,000)

Question 2

(a) (i)

Specific Bank loan

Interest expense = (Shs. 1,600 million $\times$ 8% $\times$ 9/12) = 96 million

Interest earned on unused portion of loan available during the year:

April 1 to July 31 [(1,600 million – 900 million) $\times$ 4/12 $\times$ 5%] = (11.67 million)

Aug 1 to Sept 30 [(1,600 million – 1,100 million) $\times$ 2/12 $\times$ 5%] = (4.17 million)

Oct 1 to Nov 30 [(1,600 million – 1,500 million) $\times$ 2/12 $\times$ 5%] = (0.83 million)

79.33 million

General pool of funds

Capitalization rate

Capitalization rate for pool of borrowings = (15% $\times$ 400/2,800) + (10% $\times$ 2,400/2,800)

= 2.14% + 8.57%

= 10.71%

Capitalised borrowing costs =

Paid on Jan 31 (400 million $\times$ 11/12 $\times$ 10.71%) = 39.27 million

Paid on Nov 30 (400 million $\times$ 1/12 $\times$ 10.71%) = 3.57 million

Total amount capitalized = 79.33 million + 39.27 million + 3.57 million

= 122.17 million

Although the activities had been interrupted by technical and administrative work during June 2012, capitalization is not suspended for this period according to IPSAS 5: Borrowing costs.

2 (a) (ii)

Recognition

Benchmark Treatment

Borrowing costs shall be recognized as an expense in the period in which they are incurred.

Allowed Alternative Treatment

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset shall be capitalized as part of the cost of that asset. Otherwise, borrowing costs shall be expensed.

Commencement of Capitalization

The capitalization of borrowing costs as part of the cost of a qualifying asset shall commence when:

- (a) Outlays for the asset are being incurred;
- (b) Borrowing costs are being incurred; and
- (c) Activities that are necessary to prepare the asset for its intended use or sale are in progress.

Cessation of Capitalization

Capitalization of borrowing costs shall cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2 (b) (i)

A financial asset is any asset that is:

- (a) Cash;
- (b) An equity instrument of another entity;
- (c) A contractual right:
 - (i) To receive cash or another financial asset from another entity; or
 - (ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity; or
- (d) A contract that will or may be settled in the entity's own equity instruments and is:
 - (i) A non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
 - (ii) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

A financial liability is any liability that is:

- (a) A contractual obligation:
 - (i) To deliver cash or another financial asset to another entity; or
 - (ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
- (b) A contract that will or may be settled in the entity's own equity instruments and is:
 - (i) A non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
 - (ii) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

2 (b) (ii)

A puttable instrument is a financial instrument that gives the holder the right to put the instrument back to the issuer for cash or another financial asset or is automatically put back to the issuer on the occurrence of an uncertain future event or the death or retirement of the instrument holder.

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:

- (a) Currently has a legally enforceable right to set off the recognized amounts; and
- (b) Intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Question 3

Ministry of Health

Statement of Financial position as at 30th June 2017

	Working	Shs '000'	Adjustment	Adjusted position
Assets:				
Current assets				
Cash		525,000		525,000
Receivable		76,407		76,407
Inventory	5	<u>8,500,000</u>	5,027,100	<u>13,527,100</u>
Total current assets		<u>9,101,407</u>		<u>14,128,507</u>
Non-current assets:				-
Bearer biological assets				-
Dairy livestock-immature	7	50,000	100,000	150,000
Dairy livestock-mature	7	<u>200,000</u>	50,000	<u>250,000</u>
		250,000		400,000
Property, plant & equipment		<u>25,000,000</u>		<u>25,000,000</u>
Total non-current assets		<u>25,250,000</u>		<u>25,400,000</u>
Total assets		<u>34,351,407</u>		<u>39,528,507</u>
Liabilities:				-
Current liabilities:				-
Payables		<u>120,000</u>		<u>120,000</u>
Total current liabilities		<u>120,000</u>		<u>120,000</u>
Non-current liabilities:				-
Loan		<u>20,000,000</u>		<u>20,000,000</u>
Total non-current Liabilities		<u>20,000,000</u>		<u>20,000,000</u>
Total Liabilities		<u>20,120,000</u>		<u>20,120,000</u>
Net assets/ equity:				-
Accumulated surplus		<u>14,231,407</u>		<u>14,231,407</u>
Total net assets/ equity	6	<u>14,231,407</u>	5,177,100	<u>19,408,507</u>
Total net assets/ equity & liabilities		<u>34,351,407</u>		<u>39,528,507</u>

Workings

1 Loan for the manufacture of drugs

	Shs	Shs
No of tablets manufactured (20bn/500)	40,000,000	
Closing stock	<u>(7,000,000)</u>	
Drugs sold	<u>33,000,000</u>	
Interest cost (20 bn x 5%)		1,000,000,000
Interest cost per tablet (1 bn/40 m)		25
Extra cost of sales (25 x 33 million)		825,000,000

2	UNICEF drugs		
	Donation (3 million x 5000)	15,000,000,000	
	Loss of value of closing stock		
	Closing stock-at time of receipt (1 m x 5,000)	5,000,000,000	
	Valuation at end of the year (1 m x 4,900)	<u>4,900,000,000</u>	
	Loss in value of stock	<u>100,000,000</u>	
3	HIV drugs		
	No. tablets at 30/6/15 (5bn/5,000)	1,000,000	
	Cost value (1 m x 5,000)	5,000,000,000	
	Value at end of the year (1m x 4,950)	<u>4,950,000,000</u>	
	Loss in value of drugs	<u>50,000,000</u>	
4	Value of Milk		
	Value of milk per litre (1,200 + 230-80)	1,050	
	Total closing value (1,050 x 2,000)	<u>2,100,000</u>	
5	Valuation of the farm		
	Mature biological assets:		
	Opening balance	200,000,000	
	Change in price (2.5-2) x 100	<u>50,000,000</u>	
		<u>250,000,000</u>	
	Immature biological assets:		
	Opening balance (.5 m x 100)	50,000,000	
	Increase due to price change ((.6m -.5m) x 100)	10,000,000	
	Increase due to growth ((1.5 m - 0.6m) x100)	<u>90,000,000</u>	
		<u>150,000,000</u>	
6	Summary adjustments		
	(a) Inventory adjustments		
	Inventory of manufactured drugs	175,000,000	
	UNICEF drugs	4,900,000,000	
	Loss in value of HIV drugs	(50,000,000)	
	Value of milk	<u>2,100,000</u>	
	Total adjustment	<u>5,027,100,000</u>	
	(b) Adjustment on Accumulated surplus		
	Inventory of manufactured drugs	175,000,000	
	UNICEF drugs	4,900,000,000	
	loss in value	(50,000,000)	
	Value of milk	2,100,000	
	Increase in biological assets	<u>150,000,000</u>	
	Total Adjustment	<u>5,177,100,000</u>	

Segment Reporting

An entity is required to disclose certain information about the service delivery activities of the entity and the resources allocated to support those activities for accountability and decision-making purposes.

The disclosure of information about the GGS does not replace the need to make disclosures about segments. This is because information about the GGS alone will not provide sufficient detail to enable users to evaluate the entity's past performance in achieving major service delivery objectives, when those objectives are achieved through non-GGS entities.

The disclosure of information about the GGS does not replace the need to make disclosures about segments. This is because information about the GGS alone will not provide sufficient detail to enable users to evaluate the entity's past performance in achieving major service delivery objectives, when those objectives are achieved through non-GGS entities. Because the GGS is only a subset of the government as a whole, important information would be omitted if a government did not present segment.

Question 4

- (a) Main considerations in planning procurement requirements by a procuring and disposing entity.
- Aggregate its requirements where possible, both within the procuring and disposal entity and between procuring and disposal entities, to obtain value for money and to reduce procurement costs;
 - make use of framework contracts wherever appropriate to provide an efficient, cost effective and flexible means to procure works, services or supplies that are required continuously or repeatedly over a set period of time;
 - not split a procurement or a disposal to defeat the use of the appropriate procurement or disposal method;
 - integrate its procurement budget with its expenditure programme; and
 - Integrate the disposal of assets, both listed and unlisted, in its assets register as well as in its income and expenditure budget.
- (b) Conditions for use of 'sale to public officers' as a method for disposal of a public asset.
- the public assets for disposal are a small number or are of a low value and sale to the public would not achieve value for money for the procuring and disposing entity;
 - the use of the public asset by the public officer, would directly enhance the performance of the public officer in the execution of his or her duties within a procuring and disposing entity, if the asset is put to the personal use of the public officer.
- (c) Powers of the user department in accordance to the PPDA Act,2003
- initiate procurement and disposal requirements;
 - recommend Statements of Requirements to the Procurement and Disposal Unit;
 - undertake conformity assessments;
 - issue change orders in accordance with the terms and conditions of the contract; and
 - Certify invoices for payments to providers.
- (d) Conditions for negotiations between a procurement and disposal entity
- The competitive procurement method was used and only one bid was received;
 - The direct procurement method was used; or
 - The procurement is for consultancy services.

- (e) Use of the direct procurement method
- there is insufficient time for any other procedure such as in an emergency situation; or
 - the works, services or supplies are available from only one provider; or
 - an existing contract could be extended for additional works, services or supplies of a similar nature and no advantage could be obtained by further competition, if the prices on the extended contract are reasonable; or
 - additional works, services or supplies are required to be compatible with existing supplies, works or services and it is advantageous or necessary to purchase the additional works, services or supplies from the original supplier, provided the prices on the additional contract are reasonable; or
 - it is essential or preferable to purchase additional works, services or supplies from the original supplier to ensure continuity for downstream work, including continuity in technical approach, use of experience acquired or continued professional liability, if the prices on the additional contract are reasonable;

Question 5

5 (a) (i)

The E-Cash platform is a mobile commerce platform, which can be accessed across a secure web portal. The platform is integrated with all the major telecoms in Uganda to enable the beneficiaries easily receive their monies on their mobile phones which was implemented by the Government of Uganda. The beneficiaries are stakeholders who participate in programs such as workshops which are held upcountry but they are not set up on the IFMS databases.

MALGs may use the e-cash solution introduced by government, to manage their transactions with the following objectives:

- Foster efficiency and convenience in execution of cash payments to beneficiaries
- Increase security and transparency of the entire payment processing that ensure funds are received by the intended beneficiaries
- Increase the ability to track funds disbursed to entities for cash payouts on a real time basis by the Ministry of Finance, Planning and Economic Development (MoFPED)
- Avoid fraud or loss of money due to theft or incorrect recording.
- Provide accountability for all disbursed funds through reports generated from the system
- To ensure the various beneficiaries are paid the right amount and right time:

5 (a) (ii)

E-cash shall be used to pay:

- Cash Imprest.
- Facilitation to Participants attending workshops and trainings.
- One-off cash compensations and
- Any other cash payout not handled in the normal payment Process.

3 (a) (iii)

The process of handling e-cash transactions shall be as follows:

- An Accounting Officer with a cash requirement shall write to Accountant General informing him of the need for cash to implement the activity with relevant supporting documents and full activity budget.
- Accountant General shall review and authorize/reject the cash request

- The Accounting Officer, upon getting Accountant General's approval will initiate a payment to the e-cash account through the GFMIS at least three days prior to the cash payout activity/event.
- Once the e-cash account has been credited, treasury will update the e-cash platform with the e-value to be spent by the vote.
- On the payout day, the details of the beneficiaries including bank accounts, Bank, Bank account number, Mobile phone Number and Amount to be received will be captured on the e-Cash platform and sent through an approval hierarchy by the assigned officer. The platform has an inbuilt KYC, which automatically displays the recipients' names when phone numbers are entered. The responsibility of ensuring that only bona-fide participants are paid and reconciling the two records lies with the respective accounting officer.
- E-cash payment will be initiated on the platform to the various beneficiaries either by capturing transaction individually or through bulk upload.
- The accounting officer or his/her delegated officer will validate the transaction on the platform and forward to the e-cash Service provider for payment.
- The beneficiaries will immediately receive notification of receipt of the payment.
- A report will be generated with all the details of amounts paid and beneficiaries.
- Any unpaid balance will be swept back to the MALG Sub TSA (Source Account).
- The MALG will pass accounting entries to adjust the Cash book and expenditure line for the amounts returned/Unspent.
- The MALG will prepare accountability in form of activity reports in addition to reports generated on the e-cash Platform.

(b) The principles include:

- Sufficiency in revenue mobilisation to finance Government programmes
- Maintenance of prudent and sustainable levels of public debt
- Ensuring that the fiscal balance, when calculated without petroleum revenues, is maintained at a sustainable level over the medium term
- Management of revenues from petroleum resources and other finite natural resources for the benefit of current and future generations.
- Management of fiscal risks in a prudent manner.
- Consistency of the Medium Term Expenditure Framework to the National Development Plan.
- Efficiency, effectiveness and value for money in expenditure.

(c)

Tyrad district local government does not recognize any asset or revenue in its general purpose financial statements for the period in which the **will** is made. The past event for a bequest is the death of the testator (transferor) which has not occurred.

ANSWERS TO TEST PAPER 3 CPA (U) AUGUST 2018

Solution One

(a)

Uganda Electricity Generation Authority: Statement of financial performance for the period ended 31 December, 2016

	Shs 'million'
INCOME	
Transfers from other government entities	350,000
Fees, taxes and fines	18,576
Other operating revenue	973
Income realised -Service Concession Asset	13,000
Total Income	382,549
EXPENDITURE	
Wages, salaries and employee benefits	5,632
Supplies and consumables used	17,891
Depreciation & amortization	27,352
Finance costs	200
Total operating expenses	51,075
Surplus	331,474
Revaluation surplus	1,360
Total comprehensive income	332,834

Uganda Electricity Generation Authority: Statement of financial position as at 31 December, 2016

	Shs 'million'
ASSETS	
NON-CURRENT ASSETS:	
Property, Plant and Equipment	483,391
Pre-paid operating lease	1,102
Work in progress (51,000+870)	51,870
Service Concession Asset	326,680
Receivables from non-exchange transactions	800
	863,843

CURRENT ASSETS

Inventories	500
Cash and cash equivalents (20,521-870)	19,651
Receivables from exchange transactions	20
	<u>20,171</u>

TOTAL ASSETS**884,014****CAPITAL AND LIABILITIES**

Capital and reserves	
Capital Contribution by G.o.U	300,000
Revaluation reserve (9,000-7,000+1,360)	3,360
Accumulated surplus (96,220 + 331,474)	427,694
	<u>731,054</u>

NON-CURRENT LIABILITIES

Long term borrowings	32,000
Financial Liability - Eskon	2,380
Deferred Income/Un earned income -King fisher	105,300
	<u>139,680</u>

CURRENT LAIBILITIES

Payables - PAPs	560
Financial Liability - Eskon	1,020
Deferred Income/Un earned income -King fisher	11,700
	<u>13,280</u>

TOTAL CAPITAL & LIABILITIES**884,014****Workings**

W1

Property, plant and Equipment Shs 'million'

Land

Bal b/d 200,130

Additions - PAPs 560

Carrying amount c/f 200,690

Power stations:

Cost 900,056

Accumulated depreciation (394,528)

Carrying amount b/f 505,528

Service concession asset (324,000-121,000) (203,000)

Impairment loss (7,000)

Depreciation charge [3%*(900,056-324,000)]	(17,282)
Carrying amount c/f	<u>278,246</u>

Office Plant and Equipment:

Cost	3,544
Accumulated depreciation	<u>(1,261)</u>
Carrying amount b/f	2,283
Depreciation charge (10%*2,283)	<u>(228)</u>
Carrying amount c/f	<u>2,055</u>

Lease hold Property

Valuation 31/12/2015	1,120
Depreciation (1,120/14yrs)	<u>(80)</u>
Carrying amount c/f	1,040
Valuation at 31/12/2016	<u>2,400</u>
Revaluation surplus	1,360

Property, Plant and Equipment

Land	200,690
Power Stations	278,246
Office plant and equipment	2,055
Leasehold property	<u>2,400</u>
Carrying amount c/f	<u>483,391</u>

W2

Prepaid operating lease:

Cost	2,100
Accumulated amortisation	<u>(956)</u>
Carrying amount b/f	1,144
Amortisation charge (2,100/50)	<u>(42)</u>
Carrying amount c/f	<u>1,102</u>

W3

Depreciation, amortization:

Power stations	17,282
Office plant and equipment	228
Pre-paid leases	42
Service Concession Assets	9,720
Leasehold property	80

	<u>27,352</u>
W4	
Service Concession Asset (SCA):	
Eskon	
Carrying amount b/f	203,000
Depreciation (3%*324,000)	(9,720)
Additions	3,400
Carrying amount c/f	<u>196,680</u>
King Fisher - SCA	130,000
Carring amount c/f	<u>326,680</u>

W5	
Financial Liability – Eskon:	
Current Financial Liability (30%*3,400)	1,020
Non-current Financial Liability	2,380

W6	
Deferred Income/Un earned income:	
Current Deferred income	11,700
Non-current deferred income	105,300

(b)

(i)

In the books of KCTCP to recognize grant through direct payment by donor to supplier

The accounts payable was generated as follows:

13 Aug 2015: Debit: Consultancy services USD 30,000

Credit: Accounts Payable USD 30,000

(To accrue expenditure for consultancy services to be paid for directly by the donor)

30 Aug 2015: Debit: Accounts Payable USD 30,000

Credit: Grant – Multilateral – IDA: USD 30,000

(To extinguish the accounts payable upon payment by the donor to the supplier)

(ii)

In the books of the University to recognize the fees for 1st semester

1 Feb 2016: Debit: Accounts receivable - Kakooza 2,000,000

Credit: Other revenue 2,000,000

(Being recognition of fee payable by Kakooza for 1st semester)

In the books of the University to recognize receipt of the fees

20 May 2016: Debit: Bank 2,000,000

Credit: Accounts receivable – Kakooza 2,000,000

(Being recognition of fees paid by Kakooza for 1st semester)

(iii)

Recognition of the donor contribution

Upon receiving a payment advice from the donor the entity will use the value date of 31 Aug 2015 as follows:

Debit: Bank account Ushs450 million

Credit: Grant Ushs 450 million

Recognition of the beneficiary contribution in kind

Considering that the project had duration of two years, the total contribution would be time apportioned over the two years. Since the financing agreement did not provide for a basis of prorating over the duration of the project, the contribution will be time apportioned and entries raised at the end of each financial year as follows:

30 June 2016 Debit: Expenditure - labor cost Shs25 million

Credit: Other revenue (local grants) Shs 25 million

(Being community contribution through labour)

(iv)

In the books of Ministry of Tourism

25th June 2016:

Debit: Salary Expense Shs 99,495,450

Debit: Employer Social contribution	Shs 5,025,000
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Debit: Employer medical contribution Shs 2,500,000

Credit: Accounts payable (net salary)	Shs 73,680,450
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Credit: Accounts payable (PAYE)	Shs 15,300,000
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Credit: Accounts payable (Social Security) Shs 8,040,000

Credit: Accounts payable (Medical Insurance) Shs 5,000,000

Credit: Accounts payable (other)	Shs 5,000,000
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(Being recognition of March salary)

Upon payment by the vote

27 June 2016:

Debit: Accounts payable (net salary)	Shs 73,680,450
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Debit: Accounts payable (PAYE)	Shs 15,300,000
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Debit: Accounts payable (Social Security) Shs 8,040,000

Debit: Accounts payable (Medical Insurance)	Shs 5,000,000
Debit: Accounts payable (other)	Shs 5,000,000
Credit: Bank Account	Shs 107,020,450
<i>(Being payment of June salary)</i>	
Debit: Bank Account	
Credit: Revenue (Transfers received from Treasury)	

(c)

(i)

Statement of appropriation account for services voted

This statement contains the comparison of expenditure as appropriated by parliament (initial budget plus any supplementary budgets and revisions) and expenditure incurred in the financial year.

The services voted are as per expenditure heads as contained in the approved budget estimates book. Expenditure is reported by programme. For example, in LGs expenditure is classified by department e.g administration, finance, statutory bodies, works, and internal audit, among others.

(ii)

Statement of appropriation account by nature of expenditure

This statement carries information similar to the one above but expenditure is reported by class of expenditure as in the Chart of accounts. Expenditure is reported by categories that go across programmes. For example, expenditure is reported as; employee costs, goods and services consumed, among others.

(iii)

Statement of reconciling total expenditure as per performance and appropriation

The government follows the cash basis for budgeting and all appropriations lapse in one financial year. However, the financial reporting follows the modified cash basis of accounting. There is therefore a need to reconcile the appropriations with the financial statements to ease interpretation.

Some causes of differences in the expenditures reported between the two statements include; domestic arrears, foreign exchange translations, depreciation, accrued revenue, outstanding letters of credit, etc.

(iv)

Statement of outstanding commitments

This is a summarized listing of unpaid obligations of the entity. Outstanding commitments should be similar to the payables. This statement shows the

outstanding commitments at the beginning of the year, adjustments to the previous year's commitments, prior years' commitments paid during the year, new outstanding commitments incurred during the year, and cumulative commitments outstanding at the end of the year.

Solution Two

(a)

Kalumpi District: Administration Department procurement plan, 2017

S/N	Description of item	Quantity in units	Estimated cost Shs	Confirmed source funding	Time frame required
1	Furniture	1	29,230,769	Local revenue	1 st quarter
2	Stationery	1	87,692,308	Local revenue	1 st quarter
3	Land	1	116,923,077	Local revenue	3 rd quarter
4	Pickup	1	146,153,846	Local revenue	3 rd quarter
	Prepared by User:		Approved by Head of Department	Received by	

Name.....

Sign.....

Name.....

Sign.....

Name.....

Sign.....

(b)

Stakeholders Responsibilities

S/N	Stakeholders	Responsibilities
1.	User Department	▪ Recognizes needs/demands. ▪ Describes and initiate procurement requirements. ▪ Prepares an annual and quarterly procurement work plan based on the approved budget. ▪ Submits procurement work plan to the procurement and disposal unit for implementation. ▪ Seeks technical assistance in procurement planning activities where necessary Recommends statement of requirements to the PDU (Regulations 26)
2.	Procurement and Disposal Unit (PDU)	▪ Advises user departments on individual procurement methods and practices. ▪ Consolidates procurement work plan for the entity. ▪ Implements procurement plan. ▪ Advises on procurement lead time and costs. ▪ Carries out market survey on technological trends, availability and price trends. ▪ Updates the Procurement plan.
3.	Technical Planning Unit	▪ Formulates the Districts Corporate needs. ▪ Consolidates work plans/strategic plan. ▪ Costing procurement requirements.
4.	Council	▪ Approves planning framework, budget & procurement plan upon which procurement plans are prepared by users.
5.	Finance	▪ Provides budget ceilings to facilitate development of procurement work plans ▪ Confirms budget availability. ▪ Advises on cash flow over a period of time.
6.	CAO/Accounting Officer	▪ Submits the approved procurement plan to the PPDA and Ministry of Finance.

7.	Contracts committee	▪ Approves the procurement plan before submission to Council.
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(c)

(i)

Circumstances under which a procuring and disposing entity may reject the bidding documents of a prospective bidder.

- When the bidder has no legal capacity to enter into the contract;
- When the bidder is:
 - (i) insolvent;
 - (ii) in receivership;
 - (iii) bankrupt
 - (iv) being wound up;
- When the bidder's business activities have been suspended;
- When the bidder is in the subject of legal proceedings for any of the circumstances mentioned in paragraph (b); and
- That the bidder has not fulfilled his or her obligations to pay taxes and social security contributions.

(ii)

Circumstances under which a PDU may negotiate with a contractor

Negotiations shall not be carried out between a procuring and disposing entity and a contractor, in respect of a proposal of the contractor, except where—

- the competitive procurement method was used and only one bid was received in response to the call for bids.
- the direct procurement method was used; or
- the procurement is for consultancy services.

Negotiations under subsection this shall only be carried out where the best evaluated bid or proposal exceeds the budget of the procuring and disposing entity.

Solution Three

(a)

(i)

Benefits of IFMS

➤ Automation for increased efficiency:

While associated management software automates and summarizes financial transactions into Accounting Journal Entries, transmitting the data accurately

to the integrated financial management system is important for success.

- Clean data and visible audit trail:
Integrating association management software with your accounting system means the accounting department gets the data it needs to produce financial statements in real-time. A seamless integration also eliminates the possibility of duplicate entries, reduces errors and provides a complete audit trail of transactions, which is particularly important for audit time.
- Reconciliation and data integrity:
The flexible configuration of an IFMS can simplify the reconciliation process and increase accuracy.
- FMIS Enhances Transparency; via automated identification of exceptions to normal operations, patterns of suspicious activity, automated cross-referencing of personal or vendor identification numbers for fraud
- Enhanced visibility of taxation requirements
- Streamlined Revenue Management
- Hassle Free Procurement process
- Automated accounting processes
- Compliance with Reporting

(ii)

IFMS MODULES	IFMS MODULE	ROLE
	Public Sector Budgeting	Enables vote holders to prepare and submit budgets electronically. Consolidation is also done on the system
	General Ledger	This enables electronic and automated posting of transactions on the system
	Payables	Receiving and processing supplier invoices are linked electronically and validated in real time
	Purchasing	Links purchase orders to the online cash limits thus enhancing commitment controls
	Cash Management	Enables cash forecasting and bank reconciliation to be done online in real time. An interface with BoU is also in place to facilitate automated reconciliation
	Revenue/Receipting	Links Treasury with the Uganda Revenue Authority (URA) in respect of tax returns. Invoicing and collections of non-tax revenue is also expected to be managed online.

Fixed assets management module	Recording and management of the fixed assets/Fixed assets register is maintained on-line.
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(b)

Segments of Government of Uganda Chart of Accounts

- Fund

This is a sum of money saved or made available for a particular purpose. For example:

Code	Fund
01	Consolidated Fund
02	Contingency Fund
03	Road Fund
04	Petroleum Fund
09	Local Government General Fund

- Funding source

Funding is the act of providing financial resources; Sources of funding include credit, venture capital, donations, grants, savings, subsidies, and taxes; examples are:

CODE	TYPES OF FUNDING SOURCE
001 - 99	<i>DOMESTIC GOVERNMENT OF UGANDA</i>
001	Domestic Government of Uganda
002	Central GOU Sources
003	Local Government Sources

- Vote

This represents a government unit or entity where funds are allocated

Vote code	Vote Name
001	Office of the President
002	State House
003	Office of the Prime Minister
501	Adjumani District
502	Apac District

- Cost center

A cost centre is a department within a Government unit that is only responsible for the *costs* that it incurs for example in a district:

- (a) Administration
 - 01. CAO's Office
 - 02. Human Resource Management
- (b) Finance
 - 01. Administration Office
 - 02. Revenue

- Spares I, II & III

(1 & II)

A spare code item kept in case another item of the same type is lost, broken, or worn out.

It is usually unspecified and has 2-digits i.e. '00'

(III)

A spare code item kept in case another item of the same type is lost, broken, or worn out.

It is usually unspecified and has 4-digits i.e. '0000'

- Project

It's a temporary endeavor undertaken to create a unique product, service or result. Examples of project codes include:

Project Code	Name
0001	Construction Of Government Offices
0002	HIV/AIDS & Right To Self Protection
0121	Digital Mapping Project
0122	Eastern Centres Water & Sanitation Project.

- Medium Term Expenditure Framework (MTEF)

MTEF contains outcome criteria for the purpose of performance monitoring. It contains objective, output and activity having a total of 6-digits.

- General Ledger Account

A *general ledger* contains all the *accounts* for recording transactions relating to Government's assets, liabilities, reserves/equity, revenue, and expenses.

Solution Four

(a)

(i) The general government sector

The General Government Sector comprises all organizational entities of the General government as defined in statistical bases of financial reporting.

The GGS is defined in the SNA 93 (and updates) as consisting of

- All resident central, state, and local government units,
- Social security funds at each level of government, and
- Non-market non-profit institutions controlled by government units.

Under statistical bases of financial reporting, the GGS encompasses the central operations of government, and typically includes all those resident nonmarket non-profit entities that have their operations funded primarily by the government and government entities. As such, the financing of these entities is sourced primarily from appropriation or allocation of the government's taxes, dividends from government corporations, other revenues, and borrowings.

The GGS typically includes entities such as government departments, law courts, public educational institutions, public health care units, and other government agencies.

(ii)

Relevance of disclosure of appropriate information about the GGS:

- Enhances the transparency of financial reports, and the users will be able to better understand.
 - The resources allocated to support the service delivery activities by the GGS, and the government's financial performance in delivering those services; and,
 - the relationship between the GGS and the corporations sectors, and the impact each has on overall financial performance.
- Provides for a better understanding of the relationship between the market and non-market activities of the government
- Provides a link between financial statements and statistical bases of financial reporting.
- The disclosure of appropriate information about the GGS in financial statements can support and enhance the decision making of, and accountability to, users of those statements

- For comparison purposes.

(b)

Causes of differences:

- Bases of accounting.
Entities may adopt different bases of accounting for the preparation of their financial statements and for their approved budgets. For example, a government may adopt the accrual basis for its financial statements and the cash basis for its budget.
In addition, budgets may focus on, or include information about, commitments to expend funds in the future and changes in those commitments, while the financial statements will report assets, liabilities, net assets/equity, revenues, expenses, other changes in net assets/equity, and cash flows.
- Formats and classification schemes adopted for presentation.
The format of the approved budget may also differ from the formats adopted for financial statements. An approved budget may classify items on the same basis as is adopted in the financial statements, for example, by economic nature (compensation of employees, use of goods or services, etc.), or function (health, education, etc.)
- Alternatively, the budget may classify items by specific programs (for example, poverty reduction or control of contagious diseases) or program components linked to performance outcome objectives (for example, students graduating from tertiary education programs or surgical operations performed by hospital emergency services), which differ from classifications adopted in the financial statements
- Timing differences, which occur when the budget period differs from the reporting period reflected in the financial statements; and
- Entity differences, which occur when the budget omits programs or entities that are part of the entity for which the financial statements are prepared

(c)

Disclosure requirements as per IPSAS 4:

The entity shall disclose:

- The amount of exchange differences recognized in surplus or deficit, except for those arising on financial instruments measured at fair value through surplus or deficit in accordance with IPSAS 29; and

- Net exchange differences classified in a separate component of net assets/ equity, and a reconciliation of the amount of such exchange differences at the beginning and end of the period.
- When the presentation currency is different from the functional currency, that fact shall be stated, together with disclosure of the functional currency and the reason for using a different presentation currency.
- When there is a change in the functional currency of either the reporting entity or a significant foreign operation, that fact and the reason for the change in functional currency shall be disclosed.
- When an entity presents its financial statements in a currency that is different from its functional currency, it shall describe the financial statements as complying with IPSASs only if they comply with all the requirements of each applicable Standard, including the translation method.
- When an entity displays its financial statements or other financial information in a currency that is different from either its functional currency or its presentation currency and the requirements of paragraph 64 are not met, it shall:
 - Clearly identify the information as supplementary information, to distinguish it from the information that complies with IPSASs;
 - Disclose the currency in which the supplementary information is displayed; and
 - Disclose the entity's functional currency and the method of translation used to determine the supplementary information.

Solution Five

(a)

(i)

Duties of Assistant Administrative Officer (ACAO):

Section 10 (4) of 2007 regulations spells out:

The duties of the assistant chief administrative officer, the town clerk or the parish chief as accounting officers of the county, town board or parish respectively shall include among others –

- to supervise and co-ordinate the preparation of draft annual estimates and submit them to the council for debate and approval by the fifteenth day of June.

- to carry out financial monitoring duties at the village level and prepare inspection reports on a monthly basis, to be submitted to the district headquarters or sub-county and to co-ordinate the preparation of annual budget estimates;
- to ensure that the councils prepare an income and expenditure statement at least twice a year and submit it to the chief executive of the district or sub-county.
- to ensure the collection of the county's or parish and village share of revenue from each sub-county within the area of jurisdiction and guide the sub-counties to distribute the revenue collected, in accordance with the Act and the Regulations.
- to ensure that the bank account of the administrative unit is opened on which all monies received by the administrative unit shall be banked;
- to be signatories to the county and parish bank accounts.
- to authorize all payments by the administrative unit and ensure that there is proper accountability for the council's financial transactions.
- to ensure that proper accounting records are maintained by the administrative unit.
- to submit monthly returns of income and expenditure to the council;
- to ensure that a cash book and revenue registers are maintained.

(ii) Functions of a Standing committee:

- to review finance related bills for ordinances or bye-laws presented to the council and make appropriate recommendations to the council.
- to review monthly revenue and expenditure returns, contracts, committee reports and other reports and make recommendations to the council.
- to review budgets and plans of their sectors and make recommendations to the council.
- to monitor and review the performance of sectors under their functional responsibility.
- to perform other financial responsibilities that are delegated to it by the council; and
- to handle finance related matters referred to them by the council.

(iii) Functions of the executive committee.

The functions of the executive committee of a council in relation to financial management shall be –

- to exercise general supervision and control over the council's finances and Government conditional grants and ensure that these Regulations are observed.
- to propose policies and projects for consideration by the council and upon approval by the council, monitor the implementation of the council's programmes and projects.
- to consider and evaluate the performance of the council against the approved work plans and programmes at the end of each financial year.
- to review the annual and other accounts of the council together with the audit reports.
- to review the quarterly internal audit reports after being examined by the Local Government Public Accounts Committee and report to the council;
- to recommend and exercise surcharge powers in accordance with regulation 122.
- to authorise the writing off of losses in accordance with regulation 121;
- to approve any re-allocation of the council's funds.
- to approve the annual cash flow budgets.
- to monitor the implementation of the council's policies and programmes.
- to review periodic performance reports prepared by the chief executive and recommend action where necessary.
- to review reports produced by the Local Government Public Accounts Committee and report to the council.

(b)

Procedures for replenishment and retirement of the imprest (sec 52 of regulation 2007):

- Replenishment of an imprest requires the balancing of the cash book and completion of a payment voucher summarizing all transactions and vote codes and submitting them to the Head of Finance with all supporting documents and a cheque shall be issued which shall restore the imprest to its original amount.

- Retirement of an imprest requires the balancing of the cash book and the completion of a Retirement voucher summarizing all transactions and vote codes and submitting them to the head of Finance with all supporting documents and any cash balance shall be paid in and a receipt issued in the name of the imprest holder.
- Special imprests shall be retired on or before the date specified on the imprest warrant but general imprests shall be retired on or before the last day of the financial year.
- Imprests shall be repaid when no longer required, or reduced when found to be excessive.
- Officers who have not retired imprests should be surcharged and shall not receive additional imprest until the previous imprest is accounted for.

ANSWERS TO TEST PAPER 4 CPA (U) NOVEMBER 2018

Solution 1

(a) (i)

UNWA: CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2017

Cash flows from operating activities	Notes	UGX '000'	UGX '000'
Receipts:			
Central GOU transfers		6,000,000	
Donor grants		650,000	
Netherlands Wildlife Trust donation		800,000	
WB conditional grant		20,000	
Other receipts		2,229,100	
Trade receivable (Customers)	Cal.1	(2,110,000)	
			7,589,100
Payments:			
Suppliers and employee costs	1	2,224,300	
Other expenses (730+1,400)		2,130,000	
Finance costs		886,600	
Taxes paid	3	1,309,700	
			<u>(6,550,600)</u>
Net cash flows from operations			1,038,500
Cash flows from investing activities:			
Purchase of PPE - cash		(550,000)	
Purchase of PPE – Note 4		(415,400)	
Proceeds from disposal of other assets		595,500	
Net cash flows from investing activities			(369,900)
Cash flows from financing activities:			
Receipts from bank loan	5	650,000	
Increase in GOU capital		1,000,000	
Receipts from capital development grants		300,000	
Repayment of long term borrowing		(3,000,000)	

WB conditional grant	25,000	
Net cash flows from financing activities	(1,025,000)	
Net changes in cash and cash equivalents	(356,400)	
Opening cash balances	910,000	
Closing cash and cash equivalents	553,600	

Notes:

UGX '000'

1. Suppliers and employee costs		
Operational costs	(2,760,000)	
Depreciation	680,000	
Decrease in trade and other payables	(445,300)	
Increase in inventories	(129,000)	
Decrease in accountable advance	230,000	
Increase in pension contribution	<u>200,000</u>	
	(2,224,300)	
2. Other payments		
Other expenses	<u>(730,000)</u>	
3. Taxes paid		
Opening balance	168,300	
Financial statements	1,218,400	
Closing balance	<u>(77,000)</u>	
Cash paid	1,309,700	
4. Hire purchase financing		
Gross purchases/Additions of PPE	2,720,000	
Cash deposit	(550,000)	
Total HP liability	2,170,000	
Current portion	(504,600)	
Long-term portion	<u>(1,250,000)</u>	

	Cash paid	415,400	
5.	Long-term borrowing (Bank loan)		
	Opening balance	100,000	
	Receipts	650,000	
	Closing balance	750,000	
Calculations			
1.	Trade receivables	3,860,000-1,750,000	
2.	Inventories	169,000-40,000	
3.	Trade payables	736,200-(795,500-504,600)	

(ii) Commentary on liquidity performance

- Operational activities generated positive net cash inflows of 2.6385 billion.
- The current ratio improved to 3.02:1 from 2.568:1 in 2016.
- The acid test ratio also suggests an improvement in liquidity from 2.5:1 in 2016 to 2.91:1 in 2017.
- The liquidity was however affected by repayment of loan term borrowings of 3 billion which resulted in negative net cash flows in financing activities of 1.025 billion.

(iii) usefulness of cash flow information

Cash flow statement is useful in assisting users to predict:

- The future cash requirements of the entity.
- Its ability to generate cash flows in the future.
- Its ability to fund changes in the scope and nature of its activities
- Provides a means by which an entity can discharge its accountability for cash inflows and cash outflows during the period.
- When used in conjunction with other financial statements, a cash flow statement provides information that enables users to evaluate the changes in net assets/equity of an entity, its financial structure (including liquidity and solvency).
- It enhances comparability of the reporting of operating performance by different entities.

- Historical cash flow information is used as an indicator of the amount, timing, and certainty of future cash flows.

(b)

The advice on the petroleum investment policy shall be subject to section 63 and shall include—

- i) the classes of investments in which the money of the Petroleum Revenue Investment Reserve may be invested and the selection criteria to be used to determine the investments within the classes.
- ii) the benchmarks or standards against which the performance of the Petroleum Revenue Investment Reserve, the classes of investments and the individual investments, are to be assessed.
- iii) the standards for reporting the investment performance of the Petroleum Revenue Investment Reserve;
- iv) the ethical investment, including policies, standards, and procedures for avoiding prejudice to the reputation of Uganda as a responsible member of the world community;
- v) the balance between risk and return in the overall Petroleum Revenue Investment Reserve portfolio;
- vi) the use of options, futures, and other derivative financial instruments;
- vii) the management of credit, liquidity, operational, currency, market, and other financial risks;
- viii) the retention, exercise, and delegation of voting rights acquired through investments;
- ix) the method of, and basis for, valuation of investments that are not regularly traded at a public exchange; and
- x) prohibited or restricted investments or any investment constraints or limits including the requirements of section 63 of the Act.

(c) Sharing of revenue is 2 fold:

PART I—sharing of revenue among local governments involved in petroleum production

The royalty share for a local government is the percentage proportion of the level of production of the local government divided by the total level of production of all the local governments involved in petroleum production as represented below:

$$\text{DRS} = (\text{DLP} / \text{TP}) \times 50\% \text{RSD}$$

Where:

DRS is the share of royalties due to a local government;

DLP is the level of production of a particular local government;

TP is the total petroleum produced by all the local governments involved in petroleum production in a financial year; and

RSD is the total revenue from royalties due to the local governments located

Within the petroleum exploration and production areas of Uganda.

Solution:

Revenue to be shared by Local governments;

=6% of US dollars 24 million

$= (6/100) \times 24,000,000$

=1,440,000 US dollars

50% of Revenue is shared by Local governments involved in production based on the level of production of each local government or impact.

Buliisa Share would be;

$= 40\% \times (50\% \times 1,440,000)$

$= 0.4 \times 720,000$

=288,000 US dollars

PART II—sharing of revenue among local governments located within the petroleum exploration and production areas of Uganda

$$\text{DRS} = (\text{DP} / \text{TPPD}) \times 50\% \text{RSD}$$

Where;

DRS is the share of royalties due to a local government;
 DP is the population of a local government located within the petroleum exploration and production areas of Uganda;
 TPPD is the total population of all local governments located within the petroleum exploration and production areas of Uganda; and
 RSD is the total revenue from royalties due to the local governments located within the petroleum exploration and production areas of Uganda.

Buliisa Share would be;

$$= (0.740/3.515) \times (50\% \times 1,440,000)$$

$$= 0.2105 \times 720,000$$

$$= \mathbf{151,578.95 \text{ US dollars}}$$

Total Royalty revenue due to Buliisa Local Government for FY2019/20 would be;

$$= 288,000 + 151,578.95$$

$$= \mathbf{439,578.95 \text{ US dollars}}$$

Solution 2

(a)

A bid shall be administratively compliant where—

- the bid is submitted in the required format;
- the financial bid is submitted separately;
- the signature and authorization to submit bids is in accordance with the instructions in the bidding documents;
- a bid securing declaration, if required, is submitted in the correct format;
- the validity of the bid is correct; and
- the additional documentation that is required is submitted.

(b)

The following procedure shall apply to the conduct of the merit point evaluation—

- the members of the evaluation committee shall at a meeting of the evaluation committee discuss the criteria and any sub-criteria and the relative importance of each criteria and sub -criteria;

- each member of the evaluation committee shall independently conduct an evaluation by considering each bid and awarding scores for the set criterion and record the scores in the score sheet;
- the chairperson of the evaluation committee shall at a meeting of the evaluation committee collect the score sheets and the scores awarded by each evaluator shall be compiled during the meeting, to produce a score sheet for each bid, from which the average score for each bid shall be calculated;
- the members of the evaluation committee shall compare the scores of each evaluator for each bid in order to verify that there has been a consistency of approach to the evaluation and a common understanding of the criteria and of each bid by all the members of the evaluation committee;
- the evaluation committee shall note any significant deviation from the average score or any inconsistencies in scoring and these shall be discussed and each evaluator shall explain and justify the scores awarded, where required; and
- where the evaluation committee agrees that a member of the evaluation committee was not consistent in the approach or did not understand the evaluation criterion or a bid, the member shall be permitted to adjust the scores awarded but shall not be obliged to make the adjustments.
- The average score in sub regulation (1) (c) shall be the total technical score of the bid and where a weighted score is used, the weightings shall be applied prior to calculating the average score.

(c)

The financial comparison shall—

- assess whether a bid conforms to the terms and conditions of the bidding documents, without material deviation;
- determine the bid price;
- correct any arithmetic errors in a bid;
- determine whether a financial bid is complete and where a bid is not complete, cost the missing items and add these to the original bid price in accordance with regulation 11;
- make adjustments for a non-conformity or an omission in a bid that does not constitute a material deviation in accordance with sub regulation (4);

- convert the currencies of the bids into a single currency for purposes of comparison, where required;
- apply any margin of preference in accordance with the procedure specified in the bidding documents;
- determine the total evaluated price of each bid; and
- award a financial score to each bid or rank the bids, in accordance with the requirements of the selection method used.

(d)

For the purposes of determining the best evaluated bid—

- the score of the technical and financial bids shall be weighted, using the weights stated in the bidding documents; and
- the total score of a bid shall be obtained by adding the weighted score of the technical and financial bids.
- The bidder who obtains the highest total score above shall, be recommended for award of contract.

Solution 3

(a)

(i) Absence from duty

- A Public Officer shall seek and obtain permission from his or her supervisor to be absent from duty. Permission shall not be unreasonably denied or granted.
- A Public Officer shall, during official working hours, report his or her absence from office to his or her immediate supervisor or relevant persons.

(ii) Handling of gifts and bribes

Gifts

- A Public Officer or any member of his or her family shall not solicit or accept valuable gifts, presents, hospitality gratuity or favor or other benefits, if he or she has reason to believe that the acceptance of such gifts, presents and other benefits is bound to influence his or her judgment or action in a matter he or she is dealing with or will handle in future.
- A Public Officer shall not give such gifts to influence the judgment or action of another person in his or her favors.
- A Public Officer who, in the course of discharging his or her duties, receives any gifts or other benefits of a value of five currency points or above from any one source shall disclose that gift or benefit to government and shall be treated as a gift or donation or commission to Government.
- A Public Officer may accept or give a gift if the gift is in the nature of a souvenir or ornament and does not exceed five currency points in value.
- A Public officer may accept personal gift or donation from a relative or personal friend for such an extent and on such occasion as is recognized by custom.

Bribes

- A Public Officer who in his or her personal or official capacity, demands, accepts or gives any bribe or is an agent of any person who intends to influence him or her or another officer is in breach of this Code.
- A member of the public who corruptly gives promises or offers any gift or present or reward or gratuity (tips) to any Public Officer as an inducement is guilty of a misdemeanor and shall be dealt with in accordance with the laws of Uganda.

(iii) engagement of public officers in political activities

A Public Officer may participate in politics within the provisions of the law, rules and regulations. He or she shall avoid in particular:

- Engaging in active politics.
- Canvassing political support for candidates.
- Participating in public political debates.
- Displaying party symbols.

(b)

(i) In enforcing this Code, the Inspectorate shall carry out the following functions—

- To receive and examine declarations lodged with it under this Code;
- To examine whether or not a leader has corrupt influence or has corruptly entered into a contract with a government or public body or foreign business organization contrary to this Code;
- To inquire or cause an inquiry to be conducted on its own initiative or on a complaint made by any person, into any alleged breach of this Code by any leader;
- To investigate and report on any allegations of high-handed, outrageous, infamous or disgraceful conduct or any other behavior or conduct on the part of a leader in accordance with the definition of the words highhanded; outrageous, disgraceful conduct and infamous to be provided for by the regulations to be made by the Minister;
- To recommend awards, disbursements and such payments or rewards as it may consider appropriate in connection with any assistance rendered in the enforcement of this Code; and
- To carry out any other functions prescribed under the Code.

(ii) Provisions of Leadership Code Act, 2002 on abuse public property

- A leader shall protect and preserve public property under his or her personal use and shall not use such property or allow its use for any other purpose other than authorized purposes.

- In this section “public property” includes any form of real or personal property in which the Government or public body has ownership; a plant, equipment, leasehold, or other property interest as well as any right or other intangible interest that is purchased with public funds, including the services of contractor personnel, office supplies, telephones and other telecommunications equipment and services, mails, automated data, public body records, and vehicles.
- A leader who knowingly misuses or allows public property entrusted to his or her care to be misused, abused or left unprotected shall make good the loss occasioned to the property; and the value of the property or damage to the property shall constitute a debt from the leader to the Government or public body concerned.
- Notwithstanding the provisions of subsection (3) of this section, a leader who knowingly misuses or allows public property entrusted to his or her care to be misused or abused or left unprotected may, in addition to the sanctions under that subsection be — warned or cautioned; demoted; or dismissed from office.

Solution 4

(a) (i) IPSAS 5 “borrowing costs” deals with the treatment of interest and other expenses related to borrowing funds. From the above case, GMC borrowed funds to complete a qualifying asset. The treatment of interest is detailed below.

GMC received 120,000,000/= on 01/07/2013.

➤ **As at 30/06/2014.**

It was stated that the engineer was not going to be available and no work was done. The standard requires that capitalization of borrowing costs should be suspended during extended periods in which active development is interrupted, and expensed.

Interest for year = 12% x 120,000,000 = 14,400,000

Shs 14,400,000 will be expensed and recognized in the statement of financial performance as at 30/06/2014.

➤ **As at 30/06/2015**

GMC council decided to invest the borrowed funds for 12 months in treasury bills at interest rate of 10% per annum. The standard states that in cases where part of or all the borrowed funds are temporarily invested pending outlay of the qualifying asset, any investment income earned is deducted from the borrowing costs.

Interest for year	=12% x 120,000,000=	14,400,000
Investment income	=10% x 120,000,000=	<u>12,000,000</u>
Borrowing cost/interest expensed=		<u>2,400,000</u>

2,400,000 will be expensed as at 30/06/2015 in the statement of financial performance.

➤ **As at 30/06/2016**

The engineer returned and active development commenced. The standard requires that capitalization of borrowing costs as part of the cost of a qualifying asset should commence when outlays for the asset are being incurred; borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress.

Interest for year =12% x 120,000,000= 14,400,000.

This borrowing cost of 14,400,000 incurred during the year will be capitalized.

➤ **As at 30/06/2017**

Active development was in progress and activities necessary to prepare the asset for its intended use were taking place. All the borrowing costs incurred during the year will be capitalized.

Interest for year =12% x 120,000,000= 14,400,000.

This borrowing cost of 14,400,000 incurred during the year will be capitalized.

➤ **As at 30/06/2018**

Active development was in progress and activities necessary to prepare the asset for its intended use were taking place. All the borrowing costs incurred during the year will be capitalized.

Interest for year = 12% x 120,000,000 = 14,400,000.

This borrowing cost of 14,400,000 incurred during the year will be capitalized.

➤ **AS at 30/06/2019**

Construction of the maternity ward was completed on 30/06/2018 and as result the standard requires that capitalization of borrowing costs should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Interest for year = 12% x 120,000,000 = 14,400,000.

This will be expensed and recognized in the statement of financial performance as at 30/06/2019.

(a) (ii)

The financial statements should disclose:

- The accounting policy adopted for borrowing costs.
- The amount of borrowing costs capitalized during the period
- The capitalization rate used to determine the amount of borrowing costs eligible for capitalization (when it was necessary to apply a capitalization rate to funds borrowed generally).

(b) (i) IPSAS 34 "separate financial statements" prescribes the disclosure requirements for investments in controlled entities when separate financial statements have been prepared. It shall disclose in those separate financial statements:

- The fact that the financial statements are separate financial statements; that the exemption from consolidation has been used; the

- name of the entity whose consolidated financial statements that comply with IPSASs have been produced for public use; and the address where those consolidated financial statements are obtainable.
- A list of significant investments in controlled entities, joint ventures and associates, including: (i) the name of those controlled entities, joint ventures and associates. (ii) the jurisdiction in which those controlled entities, joint ventures and associates operate (if it is different from that of the controlling entity). (iii) Its proportion of the ownership interest held in those entities and a description of how that ownership interest has been determined.
 - A description of the method used to account for the controlled entities, joint ventures and associates listed under (b)

(b) (ii) IPSAS 35 “Consolidated financial statement” states that an entity that is a controlling entity shall present consolidated financial statements. The Standard applies to all entities, except that a controlling entity need not present consolidated financial statements if it meets all the following conditions:

- It is itself a controlled entity and the information needs of users are met by its controlling entity’s consolidated financial statements, and, in the case of a partially owned controlled entity, all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the entity not presenting consolidated financial statements.
- Its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets).
- It did not file, nor is it in the process of filing its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market.
- Its ultimate or any intermediate controlling entity produces financial statements that are available for public use and comply with International Public Sector Accounting Standards (IPSASs), in which controlled entities are consolidated or are measured at fair value through surplus or deficit in accordance with this Standard.

Solution 5

(a)

Division/Section ... Works Code:.....													
Item: Maintenance civil..... Code:228001.....													
Approved Estimates (Shs.) 150,000,000													
			4	5	6	7(4-6)	8(5-6)	9	10(5-9)	11(6-9)	VOTE CONTROLLER		
DATE	REFERENCE/VOUCHER	PAYEE/ DETAILS	COMMITMENT LIMIT (CUMULATIVE)	CASH RELEASE (CUMULATIVE)	COMMITMENT	BALANCE ON COMMITMENT LIMIT	COMMITMENT BALANCE ON CASH RELEASED	PAYMENTS	CASH BALANCE	UNPAID COMMITMENT	S	INITIALS	DATE
15/1/2018	LM001	KAIMANDA	150,000,000	130,000,000	32,000,000	118,000,000	98,000,000		130,000,000	32,000,000			
20/1/2018	LM002	AKANKWASA			2,000,000	116,000,000	96,000,000		130,000,000	34,000,000			
27/1/2018	KLC 1801001	KANSIIME			54,000,000	62,000,000	42,000,000	54,000,000	76,000,000	34,000,000			
02/01/2018	KLC180208	KAIMANDA				62,000,000	42,000,000	32,000,000	44,000,000	2,000,000			
16/2/2018	LM002	KIRYA			500,000	61,500,000	41,500,000		44,000,000	2,500,000			

(b)

Quarterly Financial Statements/Reports

The Head of Finance shall produce the following financial statements at the end of each Quarter and forward them to the Executive Committee through the Chief Executive not later than 15th of the month following the end of the Quarter:

- A Year to Date Trial balance. This is a statement showing in separate columns the totals of all debit and credit entries in the General ledger.
- A consolidated statement of income and expenditure for all recurrent and development revenues and expenditures of the Council for the year to date. This statement should include the current Quarter's performance in comparison to the Budget.
- A Balance Sheet at the end of the Quarter.

The Head of a department shall produce the following financial statements at the end of each Quarter and forward them to Head of Finance not later than 7th of the month following the Quarter.

- Financial statement for all recurrent and development revenues and expenditures of the departments.

- b) Bank reconciliation statements and supporting copies of bank statements for the department.
- c) Descriptive Quarterly progress report and key departmental output performance report.

(c)

Journal Entries:

		Dr	Cr	
i	Machinery& Equipment (Computers)	100m		
	Capital Reserves-Foreign Gov't (512101)		100m	
	At year end depreciated			
	Depreciation-M&E (231005)	40m		
	Accumulated Depreciation(428202)		40m	
	Amount equal to depreciation charge for the year shall be transferred from grant account to statement of performance each year			
	Capital reserves (512101)	40m		
	Revenue Grant (131101)		40m	

ii Calculation and Recording of revaluation surplus/loss

Motor Vehicle cost	80m
Less accumulated Depreciation	<u>35m</u>
Carrying amount	45m
Revaluation cost	55m
Revaluation surplus	<u>10m</u>

Entries:

	Motor vehicles (NBV)	10m		
	Revaluation Reserve (512102)		10m	
iii	Unrecorded stock			
	Materials and Supplies	20m		
	Revenue account		20m	

ANSWERS TO TEST PAPER 5

CPA (U) JUNE 2019

Solution 1

(a) (i)

National Centre of Breeding and Research (NCBR)
Statement of financial performance
For year ending 30th-June-2017

Revenue:	Notes	UGX '000'
Multi-lateral Development partners (Donors)	1.1	3,212,600
Transfers Received by Ministries & Agencies	1.2	11,043,091
Sale of (Produced) Government Properties	1.3	1,520,600
Miscellaneous receipts	1.4	80,222
Total revenue		15,856,513
Expenses:		
Contract staff salaries	2.1	3,021,048
Social Security Contributions	2.3	325,253
Gratuity Expenses	2.5	456,337
Welfare and Entertainment	2.4	8,174
Travel abroad	2.2	310,788
Legal costs		9,500
Impairment loss	3.0	77,000
Depreciation and amortization expense	4.0	401,565
Medical Supplies		2,637,580
Loss in biological animals		143,150
Total expenses		7,390,395
Surplus		8,466,118

(ii) National Breeding and Research (NCBR): Statement of financial position
As at 30th-June-2017

ASSETS		Amount UGX '000'
Current assets	Notes	
Cash and cash equivalents	5.0	1,026,260
Trade receivables	6.0	830,225
Non-current assets		
Property, plant and equipment	4.0	8,948,130
Total assets		10,804,615
LIABILITIES		
Current liabilities		
Payables	7.0	1,310,303
Total liabilities		1,310,303
Total Net Assets		<u>9,494,312</u>
NET ASSETS/EQUITY		
Capital contributed by		
Revaluation surplus		684,960
Revenue reserves		343,234
Surplus for the year		8,466,118
Total net assets/equity		<u>9,494,312</u>

(iii) National Breeding and Research (NCBR)
Statement of appropriation account (budget performance)
for the year ending 30th-June-2017

Description	Initial Budget (A)	Adjustment (B)	Adjusted budget (C)	ACTUAL (D)	Variance (C- D)
	UGX '000'	UGX '000'	UGX '000'	UGX '000'	UGX '000'
Multi-lateral Develop'nt partners	3,000,000	1,449,600	4,449,600	3,212,600	1,237,000
Transfers Received by Ministries & Agencies	10,446,140	975,000	11,421,140	11,043,091	378,049
Sale of (Produced) Govern'nt Properties	1,506,050		1,506,050	1,520,600	(14,550)
Miscellaneous receipts	150,860		150,860	80,222	70,638
Contract Staff Salaries (Incl. Casuals)	3,778,862		3,778,862	3,021,048	757,814
Social Security Contributions	351,063		351,063	325,253	25,810
Gratuity Expenses	647,605		647,605	456,337	191,268
Non-produced assets					-
Medical Supplies	2,725,368		2,725,368	2,637,580	87,788
Buildings - Depr	1,050,000		1,050,000	158,955	891,045
Machinery & Equipment - Depr	500,000		500,000	242,610	257,390
Welfare and Entertainment	49,049		49,049	8,174	40,875
Travel abroad	399,776		399,776	310,788	88,988
Legal costs	450,000		450,000	9,500	440,500

Note 1 Revenues

Source	Description	Amount
1.1	Multi-lateral Development partners (Donors)	UGX '000'
	Initial Revenue	1,763,000
	World Food Security Organization	1,449,600
	Total	3,212,600
1.2	Transfers Received by Ministries & Agencies	
	Initial Revenue	10,068,091
	Central Government funding	975,000

	Actual	11,043,091
1.3	Sale of (Produced) Government Properties	
	Initial Revenue	1,227,000
	Mischarge	12,600
	Sale of agriculture products	281,000
	Actual	1,520,600
1.4	Miscellaneous receipts	
	Initial Revenue	92,822
	Mischarge	(12,600)
	Actual	80,222

Note 2

Expenses adjustments

2.1	Contract Staff Salaries (Incl. Casuals)	UGX '000'
	- Initial cost	3,149,048
	- Mischarge	(128,000)
	- Actual	3,021,048
2.2	Travel Abroad	
	- Initial cost	182,788
	- Mischarge	128,000
	Actual	310,788
2.3	Social Security Contributions	
	- Initial cost	292,553
	- Mischarge	32,700
	- Actual	325,253
2.4	Welfare and Entertainment	
	- Initial cost	40,874
	- Mischarge	(32,700)
	- Actual	8,174
2.5	Gratuity Expenses	
	- Initial cost	456,337

Note 3 Impairment Loss

		UGX '000'
Cost		150,000
Accumulated depreciation	(10%*150)*3	

		45,000
Carrying amount		105,000
Replacement cost		40,000
Accumulated depreciation	$(10\% \times 40) \times 3$	12,000
Recoverable amount		28,000
Impairment		77,000

Note 4 Property, Plant and Equipment

	Cultivated Assets	Non Produced assets	Buildings	Machinery & Equipment	Total
Cost		UGX '000'	UGX '000'	UGX '000'	UGX '000'
Balance b/f	1,094,128	2,283,200	2,366,605	976,502	6,720,435
Additions			975,000	1,449,600	2,424,600
Disposals	(143,150)				(143,150)
Revaluations Increase		684,960			684,960
Balance c/f	950,978	2,968,160	3,341,605	2,426,102	9,686,845
Depreciation					
Balance b/f			162,500	97,650	260,150
Depreciation for the year 2017			158,955	242,610	401,565
Accumulated Depreciation			321,455	340,260	661,715
Impairment Loss				(77,000)	(77,000)
Net Carrying Amount	950,978	2,968,160	3,020,150	2,008,842	8,948,130

Note 5

Cash and cash equivalents

	UGX '000'
Revenue Bank accounts	781,260
Sale of Produced assets	245,000
Total	1,026,260

Note 6

Trade receivables UGX '000'

Opening	794,225
Sale of Produced assets	36,000
	830,225

Note 7

Payables UGX '000'

Trade Creditors	762,000
Deposits received	466,003
With-holding Tax payable	82,300
Total	1,310,303

(b)

(i)

Contents first budget call circular

- the preliminary ceilings of the projected expenditure of the Government for the proceeding financial year; and
- The budget strategy which shall include national priorities, policy and administrative guidelines for the proceeding financial year.

Contents of Fiscal risks statement in Budget Framework Paper

The Budget Framework Paper shall have a statement of the main sources of risk to the fiscal objectives of Government and a qualified estimation of the fiscal impact of these risks including—

- an alternate fiscal framework based on realistic assumptions of key macroeconomic variables;
- a statement of the individual sources of fiscal risks such as loans, guarantees, public private partnership arrangements, natural disasters or other contingent liabilities and an estimate of the likely fiscal impact of risks if they materialize;

- The risks in public debt management, including the results of the annual debt sustainability analysis;
 - The institutional risks, such as data quality and capacity constraints; and
 - The risks from narrow or volatile revenue sources including natural resources and donor grants.
 - The fiscal risks statement shall specify the strategy to be used to manage the fiscal risks.
 - The fiscal risks statement shall, where possible, estimate the quantitative impact of the identified risks on the macroeconomic framework and the Annual Budget.
 - the projected receipts of taxes, non tax revenue, donations, grants and loans;
 - the projected expenditure on wages and salaries, non wages and other recurrent expenditures;
 - the projected expenditures on development and capital investments; and
 - the current public debt obligations including interest.
- (ii) Basis on which the secretary to the treasury should prepare the medium term expenditure framework
- the projected receipts of taxes, non tax revenue, donations, grants and loans;
 - the projected expenditure on wages and salaries, non wages and other recurrent expenditures;
 - the projected expenditures on development and capital investments; and
 - The current public debt obligations including interest.
- (iii) Contents an accounting officer should include in the request for a virement to the Minister.
- identify the items on which the virement is to be charged and give reasons for charging those items;
 - show the amount of the funds to be varied and give reason for the virement; and
 - Identify the items for which the varied funds are to be used.

Solution 2

(a) (i)

FORM 28

Regulation 3(6)

THE PUBLIC PROCUREMENT AND DISPOSAL OF PUBLIC ASSETS ACT, 2003

REQUISITION FOR DISPOSAL(1) Request for Disposal
(Originating Officer)(2) Approval to disposal
(Accounting Officer)

Disposal Reference Number		
Code of Procuring and Disposing Entity	Financial Year	Sequence number
113	2017/2018	

Particulars of Disposal			
Subject of disposal:	Assorted machinery and equipment		
Disposal Plan Reference:	UNFA DISPOSAL/FY2017/18-Q2		
Location/site of asset:	UNFA OFFICE YARDS (HQ, MBALE, HOIMA, RUBANDA)		

Details relating to the asset for disposal			
Item No.	Description of asset (Attach a detailed list or Board of Survey report)	Reference number from Asset Register	Reserve Price Ugx
1	Generator(Diesel Make)	CAT123-004763	500,000
2	Double Cabin Pick-up (UAA 900)	RX.05218-964	6,000,000
3	Mowing Machine	GX312-Y347	100,000
4	Motor cycle	YH452-00-132	450,000
5	Wheel Loader	GD542-9H8002	38,000,000
		Currency:	45,050,000
		Estimated total value:	

Name: _____

Signature: _____

Position: _____

Date: _____

(ii) Conditions for use of public auction (reg.6)

(1) A public auction shall be used where—

- (a) there is a large number of potential bidders for the public asset;
- (b) the value of the asset is low;
- (c) more than one public assets are to be disposed of and the assets are at one location; or
- (d) a non site auction is arranged to avoid transport costs.

(2) Where the public auction method is used, the sale shall be at a reserve price.

Rules for disposal of public assets by public auction (reg .7)

- The Procurement and Disposal Unit shall make a request to the contracts Committee, for the use of the public auction method using Form 31 in the Schedule.
- The Contracts Committee shall state its decision on the Form submitted under sub-regulation (1).
- A procuring and disposing entity shall solicit for bids to dispose of a public asset by public auction, by publishing an invitation notice to the public.
- The invitation notice to the public shall be published in at least one newspaper of national circulation and may be communicated to the public using any other appropriate media, which offers an efficient means of communicating with potential bidders and which increases competition
- The invitation notice shall be displayed on the procurement and disposal notice board of the procuring and disposing entity and on the website of the Authority.
- A procuring and disposing entity shall appoint an auctioneer to conduct a public auction on behalf of the procuring and disposing entity and hand over the public asset for disposal to the auctioneer.
- The auctioneer shall issue a receipt to the procuring and disposing entity for the public asset received from the procuring and disposing entity.
- A procuring and disposing entity shall allow a period of at least ten working days for the potential bidders to inspect the public asset to be auctioned,

which shall be between the date of publication of the invitation notice to the public and the date of the public auction.

- Bidding at a public auction shall be made orally.
- The procedure for bidding at a public auction shall be specified by the auctioneer.
- The auctioneer shall not hold negotiations with any bidder.
- The auctioneer shall at the public auction announce the successful bidder who shall immediately after the announcement pay at least fifty percent of the contract price.
- The successful bidder shall within five working days from the date of the public auction, pay the balance of the contract price to the procuring and disposing entity.
- Notwithstanding anything in this regulation, a public asset shall not be handed over to a bidder until the full contract price is paid and received by the procuring and disposing entity.

(b) Contents of the Complaint letter to Accounting Officer. (reg 4,2014)

- (1) A bidder who is aggrieved by a decision of a procuring and disposing entity shall make a complaint to the Accounting Officer.
- (2) The complaint made under sub regulation (1) shall indicate—
 - the name and contact details of the bidder or the person representing the bidder;
 - the procurement or disposal requirement to which the complaint relates;
 - the substantive and factual grounds of the complaint, including—
 - the provision of the Act or regulations made under the Act which are the subject of the breach or omission by the procuring and disposing entity; and
 - where known, the names of the person involved in the subject of the complaint, the events and the facts that constitute the complaint;
 - the corrective measures requested by the bidder;
 - the documentary evidence and any other evidence, relevant to the complaint, that is in the possession of the bidder; and
 - any other information relevant to the complaint.

Solution 3

(a)

- (i) Financial intelligence authority and Criminal intelligence and investigation department of Police

The mandate of the Financial Intelligence Authority under the Anti-Money Laundering Act, 2013 is prohibition and prevention of money laundering, in order to combat money laundering activities. The main activities of in its mandate are to:

- Impose certain duties on institutions and other persons, businesses and professions who might be used for money laundering purposes.
- Make orders in relation to proceeds of crime and properties of offenders.
- Provide for international cooperation in investigations, prosecution and other legal processes of prohibiting and preventing money laundering;
- Designate money laundering as an extraditable offence; and to provide for other related matters.

While Directorate of Criminal Investigation and Crime Intelligence is a directorate in Uganda police force. Its mandate is to ensure effective detection, investigation and prevention of crime is done in Uganda. The main activities in its mandate are to:

- Collects and provides criminal intelligence
- Undertakes investigations on serious crimes including homicides, narcotics, money laundering and economic crime
- Maintains law and order
- Detects and prevents crime
- Apprehends offenders
- Maintain criminal record

- (ii) Office of the Auditor General Uganda and Inspectorate of Government Uganda.

The Office of the Auditor General (OAG) is the Supreme Audit Institution (SAI) of Uganda constituted by Constitution of the Republic of Uganda (1995) as amended under Article 163. The main activities are mandate are to:

- Audit and report on the public accounts of Uganda by conducting financial, value for money audits and other audits such as gender and environment audits, classified expenditure, Government investments, procurement and treasury memoranda.

- The President may, acting in accordance with the advice of Cabinet, require the Auditor General to audit the accounts of anybody or organization.
- Parliament or the Minister may at any time request the Auditor General to conduct a special audit and to make a special audit report.

While Inspectorate of Government Uganda is an independent institution charged with the responsibility of eliminating corruption, abuse of authority and of public office. The mandate of as enshrined in the Constitution and IG Act include to;

- Promote and foster strict adherence to the rule of law and principles of natural justice in administration;
- Eliminate and foster the elimination of corruption, abuse of authority and of public office;
- Promote fair, efficient and good governance in public offices;
- Enforce the Leadership Code of Conduct;
- Investigate any act, omission, advice, decision or recommendation by a public officer or any other authority to which this section applies, taken, made, given or done in exercise of administrative functions;
- Stimulate public awareness about the values of constitutionalism
- Inquire into the methods by which law enforcing agents and the state security agencies execute their functions, and the extent to which the practices and procedures employed in the execution of such functions uphold, encourage or interfere with the rule of law in Uganda;
- Investigate the conduct of any public officer which may be connected with or conducive.

(b) An audit committee shall—

- (i) assist the accounting officer in carrying out the oversight responsibilities relating to financial practices, internal controls, corporate governance issues, compliance with laws, ethics and audit matters;
- (ii) review the arrangements established by the accounting officer for compliance with regulatory and financial reporting requirements;
- (iii) review the financial statements prepared by the accounting officer to ensure that the disclosure in the financial statements is adequate and that fair representation is achieved;

- (iv) facilitate risk assessment to determine the amount of risk exposure of the assets of the vote and the possibility of loss that may occur, with a view to mitigating risks; and
- (v) consider the reports submitted by the internal auditor to the accounting officer under section 48 and make recommendations on the findings of the internal auditor.
- (vi) Liaise with the Internal Auditor General and collaborate with the Office of the Auditor General and other organs of the state, in fulfilling its responsibilities.
- (vii) Approve annual and operational plans of the internal audit function.
- (viii) Periodically review the overall quality of internal audit services.
- (ix) Review adequacy of the internal audit function, its adherence to professional standards, particularly independence, standing, scope, resources and reporting arrangements.

Solution 4

(a)

		(Restated)
	2017	2016
	Shs 'billion'	Shs 'billion'
Surplus before interest	60	36
Interest expense	(6)	(5.2)
Surplus	54	30.8

Public Sector Entity Statement of Changes in Net Assets		
		(Restated)
	Capital Contributed	Accumulated Surplus
	Shs 'billion'	Shs 'billion'
Balance at 31/12/2015 as previous reported	20	40
Changes in accounting policy		(10.4)
Balance at 31/12/2015 as restated	20	29.6
Surplus for the year ended 31/12/2016 (restated)		30.8
Balance at 31/12/2016	20	60.4

Surplus for the year ended 31/12/2017		54
Balance at 31/12/2017	20	114.4

(b)

The following are examples of adjusting events after the reporting date that require an entity to adjust the amounts recognized in its financial statements, or to recognize items that were not previously recognized:

- The settlement after the reporting date of a court case that confirms that the entity had a present obligation at the reporting date. The entity adjusts any previously recognized provision related to this court case in accordance with IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets, or recognizes a new provision.
- The receipt of information after the reporting date indicating that an asset was impaired at the reporting date, or that the amount of a previously recognized impairment loss for that asset needs to be adjusted.
- The determination after the reporting date of the cost of assets purchased, or the proceeds from assets sold, before the reporting date;
- The determination after the reporting date of the amount of revenue collected during the reporting period to be shared with another government under a revenue-sharing agreement in place during the reporting period;
- The determination after the reporting date of performance bonus payments to be made to staff if the entity had a present legal or constructive obligation at the reporting date to make such payments as a result of events before that date;
- The discovery of fraud or errors that show that the financial statements were incorrect.

The following are examples of non-adjusting events after the reporting date that would generally result in disclosure:

- An unusually large decline in the value of property carried at fair value, where that decline is unrelated to the condition of the property at a reporting date, but is due to circumstances that have arisen since the reporting date.
- The entity decides after the reporting date, to provide/distribute substantial additional benefits in the future directly or indirectly to participants in community service programs that it operates, and those additional benefits have a major impact on the entity.
- An acquisition or disposal of a major controlled entity or the outsourcing of all or substantially all of the activities currently undertaken by an entity after the reporting date.

- Announcing a plan to discontinue an operation or major program, disposing of assets, or settling liabilities attributable to a discontinued operation or major program, or entering into binding agreements to sell such assets or settle such liabilities.
- Major purchases and disposals of assets.
- The destruction of a major building by a fire after the reporting date;
- Announcing, or commencing the implementation of, a major restructuring.
- The introduction of legislation to forgive loans made to entities or individuals as part of a program.
- Abnormally large changes after the reporting date in asset prices or foreign exchange rates.
- In the case of entities that are liable for income tax or income tax equivalents, changes in tax rates or tax laws enacted or announced after the reporting date that have a significant effect on current and deferred tax assets and liabilities
- Entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees after the reporting date; and
- Commencing major litigation arising solely out of events that occurred after the reporting date.

(c)

- A bearer plant is a living plant that:
- Is used in the production and supply of agricultural produce;
- Is expected to bear produce for more than one period; and
- Has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Examples of bearer plants include: tea bushes, grape vines, oil palms and rubber trees.

Bearer plants are within the scope of IPSAS 17, Property, Plant and Equipment.

Solution 5

(a)

(i) Functions of the Mayor

- be the political head at that level;
- preside over the executive committee meetings;
- monitor the general administration of the area under his or her jurisdiction;
- on behalf of the council, oversee the performance of persons employed by the Government to provide services in the council's area of jurisdiction and to monitor the provision of Government services or implementation of projects in the area under the council's jurisdiction;

- Perform other functions that may be necessary for the better functioning of the council, or which may be incidental to the functions of the chairperson or imposed on the chairperson by any law.
 - The chairperson of a lower council shall abide by, uphold and
 - Safeguard the Constitution, district laws, council byelaws and other laws of Uganda and shall endeavor to promote the welfare of the citizens in the council's area of jurisdiction.
 - The chairperson shall, in the performance of the functions under subsections (1) and (2), be answerable to the respective local council of which he or she is chairperson.
- (ii) Functions of executive committee
- initiate and formulate policy for approval of the council;
 - oversee the implementation of the Government and the council's policies and monitor and coordinate activities of nongovernmental organizations in a district;
 - monitor the implementation of council programmes and take remedial action where necessary;
 - recommend to the district council persons to be appointed members of the district service commission, local government public accounts committee, district land board or any other boards, commissions or committees that may be created;
 - receive and solve problems or disputes forwarded to it from lower local government councils; at the end of each financial year consider and evaluate the
 - performance of the council against the approved work plans and programmes; and
 - Carry out any other duty as may be authorized by the council or any law.
- (iii) Functions of the Town Clerk
- Be responsible for the expending of the council's funds and be the accounting officer of the relevant council;
 - Advise the council on legal and administrative matters;
 - be responsible for the implementation of lawful decisions taken by the council;
 - Supervise and coordinate the activities of all officers and departments of the council;
 - Supervise and coordinate the activities of all officers seconded to the council; and
 - Have custody of all documents and records of the council.

- (iv) Functions of Local Government Public Accounts Committee.
- The Local Governments Public Accounts Committee shall examine the reports of the Auditor General, the head of internal audit and any other reports of commissions of inquiry.
 - The Local Government Public Accounts Committee shall produce reports for submission to the council and the Minister.
- (b) The duties of accounts staff in such inspections are:
- To prepare the accounts, together with all supporting schedules and notes thereto and submit them to the Chief Executive for onward delivery to the Auditor General.
 - To arrange and provide all documents in the order in which the Auditor General requires them, and
 - To expeditiously and truly provide all answers, explanations, and proof that the Auditor General may require for purposes of completing the audit.
 - To render due and professional cooperation to the Inspector.
 - To honestly provide documentary evidence and explanations required by the Inspector.
 - To ensure that all books of account are properly updated and availed to the Inspector when requested.
 - To prepare schedules, lists, computations and interim financial reports as the Inspector may require.
 - To ensure that all information given to the Inspector is verified and reliable.
 - To ensure that records given to the Inspector are returned for safe custody, unless officially directed by the Authority to be surrendered to the Inspector as exhibit.

ANSWERS TO TEST PAPER 6

CPA (U) AUGUST 2019

Solution 1

(a)

Ministry of Works and Transport: Statement of Financial Performance for the year ended 30 June 2017		
	Shs 'million'	Shs 'million'
Revenue:		
Fees, taxes, fines and penalties (552,000+73)		552,073
Revenue contribution from the Central Government		754,000
Transfers from other government entities		60,000
Reduction of liability - SCA (5,250/15*0.5)		175
Other incomes - profit on disposal		70
Total revenue		1,366,318
Expenses:		
Employee benefits	65,564	
Grants and other transfer payments	130,224	
Supplies and consumables used	502,700	
General and administrative costs	86,936	
Depreciation and amortization (60,263+1,961)	62,224	
Other costs - written off development costs	45	
Total expenses		847,693
Surplus for the period		518,625

ASSETS	Shs 'million'	Shs 'million'
Currents assets		
Cash and cash equivalents	200	
Receivables from non-exchange transactions	600	
Receivables from exchange transactions (390+73)	463	
Inventory at year end	88,000	89,263
Non-current assets		
Long-term receivables from exchange transactions	4,968	
Property Plant & Equipment (w1)	664,667	
Development Expenditure (w2)	136,044	805,679
Total Assets		894,942
LIABILITIES		
Current liabilities		
Payables under exchange transactions	2,000	
Financial Liability - SCA	350	2,350
Non-current liabilities		
Long term payables under non-exchange transactions	3,200	
Financial Liability - SCA (5,250-175-350)	4,725	
Long term Superannuation	1,250	9,175
Total liabilities		11,525
Net Assets		<u>883,417</u>
NET ASSETS/EQUITY		
Capital contribution from Government 1 July, 2016	352,000	
Revaluation reserve (3,200 - 107)	3,093	
Accumulated revenue reserves (9,592+107+518,625)	528,324	
Total net assets/equity		<u>883,417</u>

Workings:				
W1 Property, Plant and Equipment (Shs million)				
Cost	Property	I, P & E	Service Concession	Total
Balance b/f	280,000	680,000		960,000
Additions			5,250	5,250
Disposal	(600)			(600)
Balance c/f	279,400	680,000	5,250	964,650
Depreciation:				
Balance b/f	60,000	180,000		240,000
Eliminations	(280)			(280)
Depreciation charge	10,000	50,000	263	60,263
Balance c/f	69,720	230,000	263	299,983
Carrying amount	209,680	450,000	4,987	664,667
W2 Development expenditure (Shs 'million')				
	Project A	Project B	Total	
Balance b/f	78,455	59,550	138,005	
Amortisation	(1,961)		(1,961)	
Balance c/f	76,494	59,550	136,044	
W3 Profit on disposal (Shs 'million')				
Sales proceeds	390			
Carrying amount (600-280)	(320)			
Profit on disposal	70			

(b)

(i)

Ministry of Fairness and the Rule of Law: Statement of Net Worth as at 30 June 2018		
	Shs	
Net worth b/f	(9,174,831,000)	
Less Transfers to UCF account	(4,079,545)	
Over statement of prior years cash balances	(855,517)	
Surplus for the year	13,055,844,246	
Closing Net Financial Worth	3,876,078,184	
(ii)		

Ministry of Fairness and the Rule of Law: Reconciliation of movement of cash during the year ended 30 June 2018

	Shs	
At the beginning of the year	15,785,546	
Less: Transfers to UCF account	(4,079,545)	
Overstatement of prior years cash balances	(855,517)	
Net increase in cash and cash equivalents during the year	74,097,499	
At the end of the year	84,947,983	
(iii)		

Ministry of Fairness and the Rule of Law: Statement of reconciliation between total expenditure per statement of appropriation account to total expenditure in the statement of financial performance for the year ended 30 June 2018

	Shs	
Total expenditure per Appropriation Account	52,773,056,000	
<i>Add:</i>		
Letters of credit receivable prior year but delivered during the year	12,500,145,000	
Transfers to Treasury - Non-tax revenue	456,400,679	
Foreign exchange losses	701,278,141	
	66,430,879,820	
<i>Less:</i>		
Letters of credit receivable at year end	3,491,800,721	
Domestic arrears paid during the year	900,620,867	

Land-Capitalised during the year	850,000,000	
Total expenditure per Statement of financial performance	61,188,458,232	

(c)

Employee Costs:	Shs	
Allowances	545,163,101	
Gratuity expenses	807,900,000	
Social security contributions	54,700,571	
Ex-gratia for other retired and serving public servants	400,269,800	
	1,808,033,472	
Goods and services consumed:	Shs	
Fuel, lubricants and oils	400,900,451	
Maintenance - vehicles	160,000,000	
Maintenance-Civil	209,600,800	
Travel Inland	234,104,000	
Workshops and seminars	74,100,000	
Staff training	150,056,790	
	1,228,762,041	
Consumption of property, plant and equipment:	Shs	
Depreciation for Residential buildings	84,202,000	
Depreciation for Transport equipment	20,000,000	
Depreciation for Machinery and equipment	50,000,000	
	154,202,000	
Transfers to other organizations:	Shs	
Contributions to autonomous institutions	330,000,000	
Transfers to Treasury	100,000,000	
Development grant	119,000,000	
	549,000,000	

Solution 2

Report format (To, From, Reference)

(a)

(i) Conditions for use of public auction

- there is a large number of potential bidders for the public asset;
- the value of the asset is low;
- more than one public assets are to be disposed of and the assets are at one location; or
- an onsite auction is arranged to avoid transport costs.
- Where the public auction method is used, the sale shall be above reserve price.

(ii) Conditions for use of sale to public officers

- the public assets for disposal are a small number or are of a low value and sale to the public would not achieve value for money for the procuring and disposing entity; or
- the use of the public asset by the public officer, would directly enhance the performance of the public officer in the execution of his or her duties within a procuring and disposing entity, if the asset is put to the personal use of the public officer.
- Disposal by sale to public officials shall be contracted to an independent agent.
- A public asset shall be sold to a public officer for the personal use of the public officer and not for business or commercial use.

(iii) Conditions for use of direct negotiations

- Direct negotiations shall be used where national security, public interest, health and safety issues, legal and human rights issues or environmental considerations are served, when a sale is made to a particular bidder.

(iv) Conditions for use of donation

- the procuring and disposing entity cannot obtain payment for the public assets using any of the relevant methods of disposal;

- the public asset cannot be transferred to another procuring and disposing entity.
- (b) Rules for disposal of public assets by public auction
- The Procurement and Disposal Unit shall make a request to the Contracts Committee, for the use of the public auction method using Form 31 in the Schedule.
 - The Contracts Committee shall state its decision on the Form submitted under sub regulation (1).
 - A procuring and disposing entity shall solicit for bids to dispose of a public asset by public auction, by publishing an invitation notice to the public.
 - The invitation notice to the public shall be published in at least one newspaper of national circulation and may be communicated to the public using any other appropriate media, which offers an efficient means of communicating with potential bidders and which increases competition.
 - The invitation notice shall be displayed on the procurement and disposal notice board of the procuring and disposing entity and on the website of the Authority.
 - A procuring and disposing entity shall appoint an auctioneer to conduct a public auction on behalf of the procuring and disposing entity and hand over the public asset for disposal to the auctioneer.
 - The auctioneer shall issue a receipt to the procuring and disposing entity for the public asset received from the procuring and disposing entity.
 - A procuring and disposing entity shall allow a period of at least ten working days for the potential bidders to inspect the public asset to be auctioned, which shall be between the date of publication of the invitation notice to the public and the date of the public auction.
 - Bidding at a public auction shall be made orally.
 - The procedure for bidding at a public auction shall be specified by the auctioneer.
 - The auctioneer shall not hold negotiations with any bidder.
 - The auctioneer shall at the public auction announce the successful bidder who shall immediately after the announcement pay at least fifty percent of the contract price.

- The successful bidder shall within five working days from the date of the public auction, pay the balance of the contract price to the procuring and disposing entity.
- Notwithstanding anything in this regulation, a public asset shall not be handed over to a bidder until the full contract price is paid and received by the procuring and disposing entity.

(c) In procuring an auctioneer, a procuring and disposing entity shall take into account—

- the commission rate of the auctioneer;
- the location of the auctioneer and cost of transporting the asset to be disposed of;
- the facilities of the auctioneer;
- the ability of the auctioneer to achieve optimum returns;
- the performance record and integrity of the auctioneer; and
- the viability of the business of the auctioneer.

Solution 3

(a)

The chart of accounts provides a basis for classification of revenues, expenditures, assets, liabilities and reserves to ensure a uniform budget classification and execution.

The GoU chart of accounts structure has the following segments.

Segment Name	Digits	Comments
Fund	2	A pool of financial resources established in accordance with the law. Codes 01 – 49 assigned to Central Government Funds.

		Codes 50 – 99 assigned to Local Government Funds. Examples are the Consolidated Fund and Contingency Fund. Each Fund has been uniquely identified with a code. • Consolidated Fund – 01 • Contingency Fund – 02 Local Government Fund - 51
Funding Source	3	Funding Source identifies the origin of inflow into the Fund. These can be from External (Multilateral and Bilateral) and Domestic Sources.
Vote	3	This is an MALG with appointed Accounting Officers. <i>(Accounting Officers are appointed by the Permanent Secretary / Secretary to the Treasury and they report to Parliament).</i> e. g MoFPED – 008 KCC – 067 Bushenyi – 064 The above codes are the existing recurrent budget codes for these votes. Codes are assigned as follows: 001 – 199 Ministries 200 – 499 Agencies 500 – 999 Local Governments
Cost Centre	6	Main Definition: It is the lowest MALG budgeting point charged with accountability for public funds or services. <i>Alternative Definition:</i> This is the smallest activity where costs are incurred or accumulated (CIMA definition). It includes Directorates, Departments, Divisions,

		Sections and Units.
Function of Government (GFS)	4	This is a Government Finance Statistics classification which aims to provide information on the government functions on which resources were allocated e.g. health, education, etc. It is similar to the sectoral analysis currently done by GoU.
Objective	1	The Strategic Planning under MTEF facilitates the efficient allocation and utilization of resources. Each MALG has a number of defined objectives coded sequentially. The details of these objectives are developed through the MTEF process and are entered when developed.
Project	4	Each MALG or specific Cost centers have projects that they implement in order to achieve their objectives. These projects are coded using this segment and are linked to Cost centers, Functions of Government and MTEF Objectives.
Output	2	This refers to the end product as a result of carrying out an activity or a number of activities to fulfill a defined objective.
Account (GFS)	6	This segment facilitates the coding of account transactions into account class, item, sub-item, and sub-sub-item, sub-sub-sub-items. This is based on the GFS classification system for accounts (see Appendix G).
Class (1)		This refers to the broad classification of account transactions. The following are the designated codes for the various account classes. . Revenue – 1 . Expenses – 2 . Assets – 3 . Liabilities – 4 . Reserves and Fund Balance – 5

(b)

How the modules under the Oracle based IFMS enhance budget preparation, execution and financial reporting.

- **Oracle Public Sector Budgeting**

The Budgeting module is designed to manage the budget execution processes of the Government of Uganda. It allows users to load the appropriated budget from the PBB tool to the IFMS. Once the budget is uploaded on the IFMS, the various budget execution stages of Entry of the Grant of Credit by the Auditor General, Entry of the Minister's Warrant by the Minister of Finance, entry of the Cash Limits by the Budget Directorate, Initiation of Accounting Warrant and virement by the Accounting Officers and approvals is supported by this module.

- **Oracle General Ledger**

The General Ledger module is designed to integrate all the other IFMS Modules. It allows for the keyset ups of the 4 C's i.e. the Chart of Accounts, Currency, Calendar and Accounting Convention that supports the integration of the business processes of Government of Uganda. The module functionalities include; the processing of manual journals, posting of journals, various inquiries and running of financial reports.

- **Oracle Payables**

Oracle Accounts Payable module facilitates the entry of invoices and processing of payments to suppliers and employees using the Integrated Financial management System (IFMS). The Accounts Payable module is part of the procure-to-pay cycle and tightly integrates with Oracle Purchasing, Oracle Assets and Oracle General Ledger.

- **Oracle Purchasing**

It provides an integrated workbench that is used to perform most of the day to day procurement operations of Government. The purchasing module is critical to the operation of government. This is because the largest percentage of government expenditure is incurred through procurement of goods and services. The overall purpose of the purchasing module is to handle government procurement processes. Specifically it's

used to maintain a database of suppliers, initiation of procurement through the entry of purchase requisition, entry and management of request for quotation, purchase orders and contract purchase agreements and to acknowledge receipt of goods and or services provided to government entities.

- **Oracle Receivables**

Provides an integrated workbench used to perform most of the day to day account receivable operations of Government. The module is used to recognize revenues both Taxes and NTR that is collected by GoU. The module is used to capture the master data items namely customers related information, receivable activities, memo lines that is required in acknowledgement of revenue on the IFMS.

- **Oracle Cash Management**

Enables cash forecasting and bank reconciliation to be done online in real time. An interface with BoU is also in place to facilitate automated reconciliation.

- **Oracle Fixed Assets**

Maintains a data base of fixed assets for votes.

Solution 4

(a)

- (i) UTL will record its initial investment at UGX 12,000,000 which is the starting cost of its shares. (SSE 24,000,000/UGX 2)

The statement of financial position of Afrique Telecom taken at 31 December 2017 (in SSE)

Non-Monetary Asset	<u>96,000,000</u>
Equity	24,000,000
Loan	72,000,000
	<u>96,000,000</u>

The above can be translated as follows:

Non-Monetary Asset (SS=Ugx1):96,000,000/3	<u>32,000,000</u>	
Net Assets/Equity(Balancing fig)	8,000,000	
Loan (SSP=Ugx1):72,000,000/3	24,000,000	
	<u>32,000,000</u>	
Exchange Surplus/(Deficit) for 2017 (Ugx 12,000,000-8,000,000)	(4,000,000)	

The exchange surplus or deficit are the differences between the value of the original investment (Ugx12,000,000) and the total of Net Assets/Equity (retained earnings) as disclosed by the above statements of financial position.

On liquidation, UTL will receive Ugx8, 000,000 (SSE 24,000,000 converted at SSE 3 = Ugx1). No surplus or deficit will arise in 2018.

(ii)

Where a parent has a foreign operation a number of factors are considered:

- Whether the activities of the foreign operation are carried out as an **extension of the parent**, rather than being carried out with a **significant degree of autonomy**.
- Whether **transactions with the parent** are a high or a low proportion of the foreign operation's activities.
- Whether **cash flows** from the activities of the foreign operation **directly affect the cash flows of the parent** and are readily available for remittance to it.
- Whether the activities of the foreign operation are **financed from its own cash flows** or by **borrowing from the parent**.

(b)

(i)

Relevant IPSAS 24: *Presentation of Budget Information in Financial Statements*

Annual budget means an approved budget for one year. It does not include published forward estimates or projections for periods beyond the budget period

Approved budget means the expenditure authority derived from laws, appropriation bills, government ordinances, and other decisions related to the anticipated revenue or receipts for the budgetary period

Final budget is the original budget, adjusted for all reserves, carry-over amounts, transfers, allocations, supplemental appropriations, and other authorized legislative or similar authority changes applicable to the budget period.

(ii) **Disclosure requirements as per IPSASs 24:** *Presentation of Budget Information in Financial Statements*

- An entity shall explain in notes to the financial statements the budgetary basis and classification basis adopted in the approved budget
- An entity shall disclose in notes to the financial statements the period of the approved budget
- An entity shall identify in notes to the financial statements the entities included in the approved budget.
- The reconciliation shall be disclosed on the face of the statement of comparison of budget and actual amounts, or in the notes to the financial statements

(c) Differences between IPSASs and statistical bases of financial reporting.

- The objectives of financial statements prepared in accordance with IPSASs are to provide information useful for decision making, and to demonstrate the accountability of the entity for the resources entrusted to it and which it controls.

The purpose of financial statements prepared in accordance with statistical bases of financial reporting is to provide information suitable for analyzing and evaluating fiscal policy, especially the performance of the GGS and the broader public sector of any country.

- Statistical bases of financial reporting require all assets and liabilities (except loans) to be revalued to market value at each reporting date. IPSASs include different measurement requirements, and require or permit cost and current values for certain classes of assets and liabilities
- Statistical bases of financial reporting Treat dividends as expenses, while IPSASs treat them as distributions;
- Statistical bases of financial reporting make a distinction between transactions and other economic flows for presentation of financial information. IPSASs do not currently make a similar distinction; and
- Under statistical bases of financial reporting, financial statements prepared for the GGS do not include consolidation of PNFCs, being government-controlled entities that trade in goods and services, and PFCs such as banks. The IPSASs focus on consolidated financial statements which present financial information about all the assets, liabilities, revenues, expenses, and cash flows controlled by the entity.

Solution 5

- (a) Relevance of contingencies fund and how it's managed.
- Contingencies fund relates to funding put aside to respond to natural disaster.
 - This is to be replenished with an amount equivalent to **0.5%** of the appropriated annual budget of Government of the previous financial year.
 - The contingencies Fund shall form part of the annual budget and parliament may, in addition to the amount above appropriate such other money as it may deem necessary.

It is managed as follows:

- The Minister shall by warrant addressed to the Accountant-General, authorize a withdrawal from the Contingencies Fund.
- An appropriation to the Contingencies Fund shall expire and cease to have any effect at the close of the financial year for which it is made.
- Any balance of any money that is withdrawn from the Contingencies Fund that is not committed by the close of a financial year, shall be repaid into the Contingencies Fund by 31st of July.
- A report made under section shall indicate— the date of withdrawal of money from the Contingencies Fund, the amount withdrawn, the vote that received the funds, the purpose of the expenditure and an explanation confirming that the withdrawal complies with the requirements of this Part.
- The Accountant General shall, for every financial year, prepare and submit to the Auditor-General, the accounts of the Contingencies Fund.
- The Auditor General shall in accordance with the National Audit Act, make a report to the Parliament, on the accounts of the Contingencies Fund.

- (b) Procedures to withdraw from the consolidated fund

- Money contained in the Consolidated Fund shall not be withdrawn except upon the authority of a warrant issued by the Minister, to the Accountant-General.
- The Minister shall not issue a warrant except where a grant of credit is issued by the Auditor-General

- The Minister shall issue a warrant for expenditure that is— Authorized for the financial year during which the withdrawal is to take place by an Appropriation Act or a Supplementary Appropriation Act, A statutory expenditure, For repaying money received in error by the Consolidated Fund or for paying sums required for an advance, refund, rebate or drawback where the payment of the advance, refund, rebate or drawback is provided for in this or any other Act.
- The Minister may suspend, withdraw, limit or place conditions on a warrant under this section where the Minister determines that it is necessary due to a financial exigency or that it is in public interest to do so.

(c) Relevance of board of survey and how it's conducted in ministries

A board of survey refers to a team of officials duly appointed to conduct a survey of the assets of a vote by undertaking a physical inspection of the assets, stores (inventories), cash, bank balances and books of accounts for a given vote at the end of the financial year.

It's conducted in the following ways:

- In accordance with the requirements of the Act, the Secretary to the Treasury appoints the Board of Survey for the Accountant General and the Accountant General, shall appoint the Board of Survey for the other votes.
- A Board of Survey conducts a survey of the assets of the Accountant General or the vote, as the case may be, by undertaking a physical inspection of the assets, stores, cash, bank balances and books of accounts of the vote.
- A Board of Survey conducts the survey within two months after the close of a financial year and submits a report of the survey to the Secretary to the Treasury or the Accountant General, as the case may be, within two months after the survey.
- The Secretary to the Treasury or the Accountant General, as the case may be, may, after due consideration of the report of the Board of Survey direct the Accountant General or an Accounting Officer, as the case may be, to implement the recommendations of the Board of Survey, as the Accountant General may specify.

(d) Procedure for collection and deposit of petroleum revenues into the Petroleum fund and withdraw from the petroleum fund.

- The petroleum revenue due to the Government shall be collected or received by the Uganda Revenue Authority.
- The petroleum revenue assessed as due each month shall be paid by the seventh day of the following month by the person obliged to make the payment.
- Where a person does not make a payment by the date specified in subsection (2), the person shall pay as a penalty, a surcharge of seven percent of the amount in default for each day of default.
- Where Government accepts petroleum instead of cash, the value of the petroleum shall be calculated in an international and freely convertible currency, at the rate pertaining on the day the petroleum is to be received.
- The National Oil Company shall receive and record petroleum received as an asset of the Petroleum Fund, and shall submit a copy of the record to the Minister, Uganda Revenue Authority, and the Secretary to the Treasury, the Accountant General and the Auditor General.
- Upon disposal of the petroleum received, the proceeds shall be collected by Uganda Revenue Authority and shall be remitted directly into the Petroleum Fund.

Withdrawals from the Petroleum Fund shall only be made under authority granted by an Appropriation Act and a warrant of the Auditor General: to the Consolidated Fund, to support the annual budget; and to the Petroleum Revenue Investment Reserve, for investments to be undertaken.

(e) Classified expenditures and how they are accounted for:

Classified expenditure" means the expenses and commitments incurred by an authorized agency for the collection and dissemination of information related to national security Interests and includes the cost of procurement and maintenance of the related assets.

Classified expenditures will be accounted for in the following ways:

- The Accounting Officer shall prepare the accounts of the vote in the format to be prescribed by the Accountant General.
- The Accounting Officer of a vote shall submit the financial statements to the Minister, the Auditor General, and the Accountant General.
- The Auditor General shall, in accordance with the National Audit Act, examine and audit the accounts submitted

ANSWERS TO TEST PAPER 7 CPA (U) NOVEMBER 2019

Solution 1

(a)

(i)

Kako Municipal Council Statement Of Cash Flows

	Shs'000	Shs'000
Cash flows from operating activities		
Surplus/ Deficit from operating activities	1,026,000	
Adjustments for:		
Depreciation	171,000	
Amortisation (W2)	180,000	
Finance cost	45,000	
Profit on disposal of assets (309-330)	-21,000	
	1,401,000	
Decrease in trade receivables (274-324)	150,000	
Increase in Inventories (360-227)	-399,000	
Decrease in trade payables (274-352)	-234,000	
Cash generated from operations	918,000	
Interest paid (W5)	-30,000	
Withholding tax paid (W4)	-282,000	
Amount transferred to consolidated fund- WHT payable amount	-486,000	
Net Cash flows from operating activities		120,000
Cash flows from investing activities		
Development expenditure	-570,000	
Purchase of PPE (W1)	-576,000	
Proceeds from sale of PPE	330,000	
Net cash used in investing activities		-816,000
Cash flows from financing activities		
Advances from other government units	900,000	
Loan from multilaterals	150,000	

Payment of Finance lease liabilities (W3)	-93,000	
Transfers to treasury- Uncommitted conditional grants from central government	-468,000	
Net cash from financing activities		489,000
Net decrease in cash and cash equivalents		-207,000
Cash and cash equivalents at beginning of period (W6)		327,000
Cash and cash equivalents at end of period		120,000

Workings:

		Shs. '000
W1	Property, plant and Equipment	
	Bal b/d	1,911,000
	Revaluations (456,000-180,000+ 24,000)	300,000
	Finance lease	168,000
	<i>Balancing Fig:</i>	<u>576,000</u>
		<u>2,955,000</u>
	Depreciation	171,000
	Disposals	309,000
	Bal c/d	<u>2,475,000</u>
		<u>2,955,000</u>
W2	Development Expenditure	
	Bal b/d	480,000
	Expenditure	<u>570,000</u>
		<u>1,050,000</u>
		-
	<i>Balancing Fig (Amortisation);</i>	<u>180,000</u>
	Bal c/d	<u>870,000</u>

		<u>1,050,000</u>	
W3	Finance Lease liability		
	Bal b/d -		
	Non- current	240,000	
	Current	36,000	
	New finance lease	168,000	
		<u>444,000</u>	
	<i>Balancing Fig (Paid)</i>	<i>93,000</i>	
	Bal c/d -		
	..Non- current	300,000	
	..Current	51,000	
		<u>444,000</u>	
W4	Withholding Tax payable		
	Bal b/d -	594,000	
	Surplus/deficit	486,000	
	Balance c/d	(312,000)	
	Cash paid-URA WHT	282,000	
	Cash transferred- treasury(unpaid WHT)	486,000	
W5	Interest Payable		
	Bal b/d	-	
	Surplus/ Deficit	45,000	
	<i>Balance c/d</i>	<i>(15,000)</i>	
	Interest paid	(30,000)	
W6	Cash and Cash equivalents		
		2019	2018
	Cash	87,000	351000
	Call deposit Accounts	429,000	138000
		516,000	489,000
	Bank Overdraft	- 396,000	-162000
		120,000	327,000

(ii) Why it is necessary to prepare cash flow statement

- The information provided by cash flow statement is useful in assisting users to predict the future cash flow requirements of a public sector entity, its ability to generate future cash flows and to fund changes in its scope and nature of activities
- A cash flow statement provides a means by which an entity provides accountability on the cash inflows and cash outflows during a reporting period.
- When used in conjunction with other financial statements such as statement of financial position and statement of financial performance, a cash flow statement provides information that enables users to evaluate the changes in net assets/ reserves of an entity, its financial structure (including its liquidity and solvency), and its ability to affect the amounts and timing of cash flows in order to adapt to changing circumstances and opportunities.
- It also enhances the comparability of the reporting of operating performance of the entity with other entities, because it eliminates the effects of using different accounting treatments for the same transactions and other events.
- The historical cash flow information is useful to the entity as an indicator of the amount, timing, and certainty of future cash flows. It is useful in checking the accuracy of past assessments of future cash flows.

(b) Legal and regulatory frame work for financial reporting in Uganda

- The constitution of Uganda (1995) amended:
This is the principle legislation/ law on all matters relating to management and control of public resources. It provides a policy and legal framework for taxation the basis of funding government programs, establishment of consolidated fund, withdrawals from the consolidated fund, financial year estimates, appropriation bills, contingencies fund, powers of government to borrow or lend, public debt, central bank and its functions, auditor general and accountability.

The Public Financial Management Act, 2015 (as amended);

This establishes the principles and procedures for a sound fiscal policy and macroeconomic management; the processes for the preparation, approval and management of a transparent, credible and predictable annual budget; the mechanism for the operation of the Contingencies Fund; the mechanisms for cash, assets and liability management; the reporting and accounting systems, and internal controls; and the legal and regulatory framework for the collection, allocation and management of petroleum revenue.

- **The Public Financial Management Regulations, 2016;** These were issued after enactment of Public Financial Management Act, 2015 replacing the Public Finance and Accountability Act, 2003 regulations. The regulations explain in details the intentions of the Act and facilitate the users to efficiently and effectively carry out their business
- **The Public Procurement and Disposal of Public Assets Act, 2003 (as amended);** the act covers aspects about the establishment of Public Procurement and Disposal Authority, the procuring and disposing entities, basic public procurement and disposal principles, public procurement and disposal rules, methods of procurement and disposal, types of contracts, administrative review processes and review of decision of the authority, it establishes the public procurement and disposal of public assets appeals tribunal to review decisions by the authority and also the code of ethical conduct in business.
- **The National Audit Act, 2008;** This act provides for the appointment of auditor general and mode of operation of office of the auditor general, functions and powers of office of the auditor general, finances and expenses of office of the auditor general, offences and penalties and other matters relating to the office of the auditor general
- **The Accountants Act, 2013.** This provides the legal, institutional and regulatory framework for the accountancy profession in Uganda. It prescribes a framework for adopting and establishment of accounting standards and generally accepted accounting principles and practices

- **The Local Government Act, 1997.** This was enacted with the objectives of; giving full effect to the decentralization of functions, powers, responsibilities and services at all levels of local governments; ensuring democratic participation in, and control of, decision making by the people concerned; establishing a democratic, political and gender-sensitive administrative setup in local governments; establishing sources of revenue and financial accountability; providing for the election of local councils; establish and provide for the composition of interim councils for newly created local government units pending elections of the councils; and to provide for formation of interim executive committees for interim councils.
- **The local governments (financial and accounting) regulations, 2007;** These give detailed guidance about financial administration and control in local governments, Budgeting, revenue, payments, accounting and controls, treasury management, assets management, risk management, offences and penalties and other operational guidelines in Local Governments.
- **Treasury instructions 2017**
- Accounting principles and conventions

Solution 2

(a)

A procuring and disposing entity shall not issue a contract document, purchase order, or other communication in any form, conveying acceptance of a bid that binds a procuring and disposing Entity to a contract with a provider, until—

- The contracts committee makes a decision to award the contract;
- The accounting officer confirms that the contract price is not higher than the market price established prior to the commencement of the procurement process;
- The period of ten days have elapsed – the period where no action is taken on the contract award after the date of display of the notice of the best evaluated bidder;

- The accounting officer confirms that the procurement is not subject to any administrative review;
- The full amount of the funding for the period of the proposed contract is committed; and
- All relevant agencies, including, the Attorney General make the necessary approval of the contract.

(b).

Responsibilities of contract manager.

A contract manager is appointed by the accounting officer and he or she shall manage the obligations and duties of the procuring and disposing entity specified in the contract; and also make certain that the provider performs the contract in accordance with the terms and conditions specified in the contract.

A contract manager shall—

- (1) Ascertain that—
 - (i) A provider meets all performance or delivery obligations in accordance with the terms and conditions of a contract;
 - (ii) A provider submits all the required documentation in accordance with the terms and conditions of a contract;
 - (iii) A procuring and disposing entity meets all the payment and other obligations in accordance with the terms and conditions of a contract;
 - (iv) There is adequate cost, quality and time control, where appropriate;
 - (v) There is compliance with the Act, these Regulations, guidelines and best practices;
 - (vi) All contract obligations are complete before closing the contract file.
 - (vii) All contract management records are kept and archived as required;
- (2) Issue any required variations or change orders, in accordance with the terms and conditions of a contract;
- (3) Provide full details of a required contract amendment to the procurement and disposal unit and obtain the approval of the contracts committee before issuing any amendment;
- (4) Manage the handover or acceptance procedures;

- (5) Provide full details of any proposed termination of a contract to the procurement and disposal unit and obtain the approval of the accounting officer prior to termination;
- (6) Appraise the performance of the provider and report on the performance of the provider to the procurement and disposal unit; and
- (7) Submit a monthly report on the progress or completion of the contract to the accounting officer and give a copy to the procurement and disposal unit.

(c)

The amendment of a contract is provided for under regulation 55 of the PPDA contract Regulation

- (1) A change in the contract which increases the price of the original contract beyond 0.1% in the case of a single change or 1% cumulatively shall be effected by amending the contract.
- (2) The price to be charged by a provider for any related services that might be needed but which were not included in the contract shall be agreed upon in advance by the parties and shall not exceed the prevailing rates charged to other parties by the provider for similar services.
- (3) Notwithstanding sub regulation (2) a contract amendment for additional quantities of the same items shall use the same or lower unit prices as the original contract.
- (4) A single contract amendment shall not increase the total contract price by more than fifteen percent of the original contract price.
- (5) Where a contract is amended more than once, the cumulative value of all contract amendments shall not increase the total contract price by more than 25 percent of the original contract price.
- (6) A contract amendment shall not be issued to a provider without—
 - (a) commitment of the full amount of funding of the amended contract price over the required period of the revised contract;
 - (b) obtaining approval from the contracts committee; and
 - (c) obtaining approval from other concerned bodies including the Attorney General.

- (7) The approval of the other concerned bodies including the Attorney General required under sub regulation (6) shall be obtained after approval of the amendment by the contracts committee.

Solution 3

(a)

Key operational areas carried out by Debt officers under DMFAS:

Debt Management and financial analysis system (DMFAS) is a specialized debt management software designed to meet the operational, statistical and analytical needs of debt managers and public sector entities involved in development of public debt strategies.

The key operational areas include:

- Recording all information concerning loans, grants and debt securities, including their possible relationship to projects and to different national budget accounts
- Creating and updating estimated disbursements automatically
- Calculating all amortization tables automatically
- Recording real drawings, real subscriptions and debt service operations.
- Identifying loans where debt service is in arrears and calculate late interest.
- Producing a wide range of standard and customized reports, including reports for validation, control and statistical bulletins.
- Perform analysis of debt portfolio and build debt strategies.

(b)

The case for implementation of DMFAS:

- **Improved transparency and better governance.** DMFAS Increases availability of information on debt management which contributes to better policy- making with regard to external debt strategy formulation. Due to a sound debt database, the Ugandan government has the opportunity to integrate dependable debt data in policy-making, enabling evidence-based policies.

- The DMFAS **provides the country with a set of proven solutions for improving their capacity to handle the management of public liabilities and produce reliable debt data** for policy making purposes. This is done through the specialized debt management software, advisory services and training activities in debt management.
- **Improved capacity for debt analysis, strategy and sustainability.** The availability of high quality debt data not only contributes to better debt analysis but it is also vital for the effective management of debt. It is widely recognized that the availability of reliable and timely debt data is essential for prudent risk analysis and the elaboration of government strategies aimed at ensuring sustainable debt levels and, in the last analysis, contributing to the well-being of the Ugandan people. In this respect, Uganda is elaborating its own yearly debt sustainability analysis which is made publicly available on the Ministry of Finance's website. In addition, Uganda also has developed in 2015 a Medium Term Debt Management Strategy which equally made available on the Ministry of Finance's website.
- It offers powerful **analytical and managerial tools for portfolio analysis and reporting.**
- **Improved reputation, critical for attracting domestic and foreign investment.** Publishing a statistical bulletin demonstrates that the country is in a position to maintain a reliable, comprehensive debt database and produce accurate data. It also shows that the country has a well-functioning database.
- **Enhanced response to international commitments and acquired obligations.** Uganda can easily report to the World Bank Debtor Reporting System in compliance with international guidelines, as is done by 91 per cent of DMFAS-user countries. In addition, Uganda is also able to report regularly to the Quarterly External Debt Statistics (QEDS) as well as to the Quarterly Public Sector Debt Statistics (QPSDS) databases.
- **Proven capacity to create accurate debt statistics.** The 2012 Public Expenditure and Financial Accountability (PEFA) assessment gave Uganda its second highest grade on the performance indicator related to debt data recording and reporting due to the use of DFMAS.

Solution 4.

(a)

1 Amount borrowed from each institution

		Amount(Ug X) Billion
15% ADB loan	48% x 90.7 bn	43.5
12% World Bank loan	28% x 90.7 bn	25.4
17% China Exim Bank loan	10% x 90.7 bn	9.1
14% Islamic Bank Loan	14% x 90.7 bn	12.7
		90.7

2 Capitalisation Rate (weighted av.rate)

	Rate	loan amount
ADB Loan	15%	43.5
World Bank Lona	12%	25.4
Exim Loan	17%	9.1
Islamic Bank Lona	14%	<u>12.7</u>
		<u>90.70</u>
		14.22%
		14.20%

3 Expense on 1% loan management fees

$$1\% \times 9.07 \text{ bn}$$

$$0.0907 \text{ bn}$$

Expense for 151 days = 5 months before
capitalisation commences

$$[(0.15 \times 43.536) + (0.12 \times 25.396) + (0.17 \times 9.07) + (0.14 \times 12.698)] \times 5/12$$

$$(6.5304 + 3.04752 + 1.5419 + 1.77772) \times 5/12$$

$$12.89754 \times 5/12$$

$$5.373975 \text{ bn}$$

OR

Loan	90.7
------	------

Weighted Average Interest Rate	14.20%
--------------------------------	--------

Interest for 1 year	12.8794
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Interest expense for 151 day	5.37
------------------------------	------

4 Amount disbursed per project

		Ugx. Billion
Roads and Bridges	60% * 90.7	54.42
Parabong Central Market	10% * 90.7	9.07

	HESS Library	15%*90.7	13.605
	National Production and incubation facility	15%*90.7	13.605
			90.7
5	Roads and Bridges		
	Capitalise from 01.06.2016 onwards since delay of commencement of construction works was		
	as a result of substantial technical and administrative work		
	As at 30.06.2016 Capitalise		
	$1/2 * 14.2\% * 54.42$		
		0.64	
	As at 30.06.2017 Capitalise		
	$14.2\% * 54.42$		
		7.73	
6	Pabo Central Market		
	As at 30.06.2016 Expense		
	$14.2\% * 9.07 * 1/12$		
		0.11	
	As at 30.06.2017 Capitalise		
	$14.2\% * 9.07$		
		1.29	
7	HESS Library		
	As at 30.06.2016 Capitalise		
	$1/12 * 14.2\% * 13.605$		
		0.1610	
	As at 30.06.2017 Capitalise		
	$14.2\% * 13.605$		
		1.93	
8	NPIF facility		
	As at 30.06.2016 Capitalise		
	$1/12 * 14.2\% * 13.605$		
		0.16	
	As at 30.06.2017 Capitalise		
	$14.2\% * 13.605$		

1.93

Borrowing Cost capitalized

Projects	2016 Shs Billion	2017 Shs Billion
Roads and Bridges	0.64	7.73
Pabo Central Market	-	1.29
HESS Library	0.161	1.93
National Production and incubation facility	<u>0.161</u>	<u>1.93</u>
Total capitalized	0.962	12.88
Amount expensed:		
Interest expense for 151 days	5.37	-
Pabo Central Market	0.11	-
Loan Mgt fee	<u>0.0907</u>	
	<u>5.5707</u>	

(b)

Statement of performance (extract)

	2016 Shs Billion	2017 Shs Billion
Financial charges/interest	5.47	-
Loan management fee	0.0907	

Statement of financial position

	0.962	13.842
Infrastructure, PPE		
Roads and Bridges	0.64	8.37
Pabo Central Market	-	1.29
HESS Library	0.161	2.091
National Production and incubation facility	0.161	2.091

Solution 5

(a)

Functions of the chief administrative officer.

The chief administrative officer shall be the head of the public service in the district and the head of the administration of the district council and shall be the accounting officer of the district.

The chief administrative officer shall—

- Be responsible for the implementation of all lawful decisions taken by the district council;

- Give guidance to the local government councils and their departments in the application of the relevant laws and policies;
- Supervise, monitor and coordinate the activities of the district and lower council's employees and departments and ensure accountability and transparency in the management and delivery of the council's services;
- Develop capacity for development and management of the planning function in the district;
- Supervise and coordinate the activities of all delegated services and the officers working in those services;
- Have custody of all documents and records of the local government council;
- Act as a liaison officer between the district council and the Government;
- Advise the chairperson on the administration of the council;
- Assist in the maintenance of law, order and security in the district;
- Carry out any other duty that may be assigned by the district council from time to time.
- In addition to the duties above, the chief administrative officer shall perform all statutory duties and functions which he or she is required to do under any other law.

(b) Duties of the head of finance.

The head of finance shall be responsible to the chief executive for all financial transactions and accounts of the council, and shall be the receiver, paymaster and chief accountant of the council and his or her duties shall among others, be -

- To manage the financial affairs of the council prudently, efficiently and effectively;
- To ensure compliance with these Regulations, the accounting manual and all instructions issued by the Minister;
- To supervise and co-ordinate the budget desk officers in the preparation of work plans for submission to the chief executive and to the council by the required dates, in accordance with the budget cycle of the local government;
- To ensure that the approved estimates of expenditure on votes under his or her control are not exceeded and to keep watch over the expenditure of votes controlled by other officers and warn them if there is a danger of those votes being exceeded;

- To ensure that no expenditure is incurred before it has been authorized by the council and any other organ of the council authorized to do so;
- To maintain approved systems of accounting throughout the council in accordance with these Regulations;
- To supervise and ensure the prompt collection of all revenue due to the council and bring promptly to account all revenue or other receipt paid into the administration's bank accounts or accounted for to him or her under the proper directorate or programs, sub-programs and items;
- To supervise all officers entrusted with the receipt and expenditure of administration funds and to take precautions, through the maintenance of frequent checks against the occurrence of fraud, embezzlement or Carelessness;
- To supervise the expenditure and other disbursements of the council and ensure that no payment is made without proper authority and in case of any apparent extravagance call the attention of the officer concerned and his or her superiors;
- To charge under the proper directorate or programs, sub-programs and items all disbursements of the council;
- To co-ordinate the preparation of the annual accounts of the council for audit and prepare financial statements and returns as required by the Act and these Regulations;
- To prepare special reports as required by the council, donors or the central government in addition to monthly, quarterly and annual financial statements required under the accounting provisions and copy them to any organ of the council empowered to receive them;
- To make provision for the secure custody, under lock and key, of all the receipt books, tickets, licenses and other accounting stationery;
- To monitor in consultation with chief executive, the administration's procedures for the procurement of goods, services and works and to ensure that all officers concerned provide adequate storage accommodation for stores and assets in their receipt, custody and disposal of these stores or assets , and co-operate with the contracts committee in the execution of its work;

- To ensure that proper provision is made for the safekeeping of all council monies, securities, valuable documents and account books in accordance with these Regulations;
- To supervise the operation, maintenance and protection of the council accounting and data processing equipment including the provision of dust and damp-free accommodation and standby facilities in the event of breakdown or power failure;
- To take full responsibility for staff under his or her control and ensure fair allocation of duties and training;
- To ensure that all officers with responsibilities of a financial nature are conversant and comply with these Regulations;
- To report to the chief executive and recommend disciplinary action against any officer who continuously contravenes these Regulations;
- To implement lawful policies and directions of the council, as communicated to him or her by the chief executive and where he or she considers any direction not to be in accordance with the Act and these Regulations, prepare a written statement of objection to the Auditor General with a copy to the chief executive and where necessary to the Minister;
- To ensure that the lower local government councils within his or her area of jurisdiction keep proper books of accounts;
- To collect the percentage of revenue due to the council from the lower local government councils in accordance with the Act;
- To remit to the lower local government councils the relevant percentage of revenue collected, where the council has by mutual agreement collected the revenue on behalf of the lower local government or received such funds from Government, donors, or from any other source;
- To bank the revenue collected on behalf of lower local government councils on a separate bank account of the relevant council;
- To submit monthly returns of the revenue collected on behalf of lower local government councils to the relevant councils;
- To liaise with donors and Non-Governmental Organizations for independent audits of accountability statements of funds given to the council, by those agencies;
- To ensure that all officers receiving revenue, account to the accounting officer and that the payment of salaries to all employees of the local government is done as a collective

responsibility involving the accounting officer and the vote controller;

- To ensure prompt remittance of bursary funds to the relevant educational institutions, once approved by council;
- To ensure that all workers are paid promptly;
- To ensure that all local council recurrent and capital development expenditure transactions are processed through the Commitment Control System (CCS);
- To ensure that no contract agreement, Local Purchase Order (LPO) or other commitment shall be issued unless a proper commitment requisition has been approved;
- To ensure that commitments are not approved unless there is sufficient uncommitted balance available in the quarter's commitment limit for the relevant budget item;
- To monitor commitments with the vote controllers and to be personally responsible for any over-commitment of the council; and
- To produce annual cash flow budgets for the approval of the executive.

(c) Removal of LGPAC committee member from the committee:

In accordance with section 89 (1) of the Local Government Act, 1997, a member of a local government public accounts committee, including the chairperson, may be removed from the committee by the district council by a resolution supported by two-thirds of the members of the council on the recommendation of the executive committee but can only be removed on the following grounds—

- (1) Abuse of office; this is when a member does or directs to be done an arbitrary act prejudicial to the interests of his or her employer or of any other person, in abuse of the authority of his or her office. For example, a member asking for a bribe to clear audit queries.
- (2) Incompetence; a member lacking experience or capacity to perform his or duties as a member of LGPAC.
- (3) Failure to attend three consecutive ordinary meetings without valid reasons acceptable to the committee;
- (4) Inability to perform the functions of that office arising from physical or mental incapacity.

ANSWERS TO TEST PAPER 8 CPA (U) DECEMBER 2020

Solution 1

(a)

(i)

TUO Economic Entity
Consolidated Statement of Financial Position
As at March 31,2020

	Shs 'million'	Shs 'million'
Assets		
Current assets:		
Cash and cash equivalents		23,500
Receivables	(4,300+402+140-45)	4,797
Staff advances		564
Inventory	(1,520+275-52)	<u>1,743</u>
		30,604
Non-current Assets:		
Long term receivables-Non Exchange transactions		672,900
Other investments		631,899
Investment property	(185000-8,500)	176,500
Investment in ASRC		-
Infrastructure, Property,Plant and equipment	8	<u>2,533,785</u>
		4,015,084
Total assets		<u>4,045,688</u>
Liabilities		
Current liabilities:		
Pension contribution		100,000
Payables	(315,000+120,000-45)	434,955
Withholding Tax		137,000
Gratuity payments		217,000
Short-term borrowing		<u>469,000</u>
		1,357,955
Non-Current liabilities:		
Long term borrowing		137,000

Net Assets/Equity:		
Capital contributed by:		
Capitalisation grants	(1,996,860+16,340)	2,013,200
Revaluation Reserves	W7	194,887
Accumulated Revenue reserves	W5	267,869
Non-Controlling Interest (NCI)	W6	74,777
		2,550,733
Total Equity and Liabilities		4,045,688

	Workings:		
1	Borrowing costs:		
	12% x137,000		16,440
	Less TB income (5% x 2,000)		<u>(100)</u>
			16,340
2	Impairment of loss calculation		
	cost at acquisition in 2014		2,000
	Accumulated depreciation: (2000/20) x 6		<u>(600)</u>
	Carrying amount (CA)		1,400
	Replacement cost		1,250
	Acc. depreciation: (1250/20) x 6		<u>(375)</u>
	Recoverable Service Amount (RSA)		875
	Impairment Loss (CA-RSA) =(1400-875)		525
3	Gain on disposal		
	Proceeds received on disposal		140
	Revaluation reserve		15
	Accumulated depreciation		75
	Cost of building		<u>-180</u>
			50
4	Depreciation of buildings		
	5% x 8,500		425
5	Accumulated revenue reserves	TOU	ASRC
	As per SOFP	196,500	85,000
	Gain on Disposal	-	50
	Impairment loss	-	(525)
	Inventory stock Loss	(52)	
	Depreciation	(425)	
	Share of ASRC reserves (85%X84525)	71,846	-
		267,869	84,525

6	Non-Controlling Interest (NCI)	
	15% Capital 320,000	48,000
	15% Acc revenue reserves (15%X84,525)	12,679
	15% Revaluation reserves (15%X (94,000-15)	<u>14,098</u>
		74,777
7	Revaluation reserves	
	TUO	115,000
	Share of ASRC Revenue reserves (85%X(94,000-15)	<u>79,887</u>
		194,887

8	Infrastructure Property, Plant and Equipment			
		TUO	ASRC	Total
	NBV Balances as per SOFP	1,820,000	690,000	2,510,000
	Additions: Investment property	8,500		8,500
	Disposal		-105	-105
	Depreciation	-425		-425
	Impairment loss		-525	-525
	Capitalised borrowing costs	16,340		16,340
		1,844,415	689,370	<u>2,533,785</u>
9	Inventory loss cost		60	
	Net R. Value		(8)	
	Loss		52	

(ii) Non- financial benefits

- The ability to benefit from specialised knowledge.
- The value to the entity from other entity undertaking activities that assist the entity in achieving its objectives.
- Improved and more efficient outcomes through research and development.
- More efficient or effective production and delivery of goods and services.
- Having assets and related services available than otherwise would be the case.
- Having higher level of service quality than would otherwise be the case.

(iii) Recognition of revenue from interest, royalty and dividends:

Revenue arising from the use, by others, of entity assets yielding interest, royalties, and dividends or similar distributions shall be recognized using the accounting treatments set out below when it meets recognition criteria:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- The amount of the revenue can be measured reliably.

Revenue shall be recognised using the following accounting treatments:

- Interest shall be recognised on a time proportion basis that takes into account the effective yield on the asset;
- Royalties shall be recognised as they are earned in accordance with the substance of the relevant agreement; and
- Dividends or similar distributions shall be recognised when the shareholder's or the entity's right to receive payment is established.

(b)

(i) Purpose of Appropriation Act

'Appropriation Act' means the Act passed by Parliament in accordance with Article 156 of the Constitution which authorizes expenditure of public money for a financial year. The purpose of the Act is to authorize:

- Issue of money out of the Consolidated Fund.
The Treasury may issue out of the Consolidated Fund and apply towards the supply granted to the Government for the Service of the financial year ending on the 30th June.
- Issue of money out of the Petroleum Fund.
The Treasury may issue out of the Petroleum Fund and apply towards the supply granted to Government for the service of the financial year ending on the 30th June.
- To provide for Appropriations.
The sums granted by the Act for the services and purposes and in the amounts specified.
- To provide for expiry of appropriations.
Any part of the sums granted by the Act which has been, or is issued from the Consolidated Fund or the Petroleum Fund on or before the 30th day of June; shall expire and cease to have any effect at the close of the financial year for which it is made.

- (ii) Requirements on expiry of appropriations:
- Repay the money to the Consolidated Fund or Petroleum Fund as the case may be.
 - A vote that does not expend money that was appropriated to the vote for the financial year shall, at the close of the financial year, repay the money to the Consolidated Fund or Petroleum Fund as the case may be.
 - Revision of annual work-plan, procurement plan and recruitment plan.

A vote that repays money shall revise its annual work plan, procurement plan and recruitment plan to take into account the unexpended money and the Minister responsible for the vote shall submit, as part of the budget for the preceding year, the revised work plan, procurement plan and recruitment plan to the Minister.

- Where a local government does not utilise at least 60 per cent of the unconditional or equalisation grant within a financial year, the local government shall by the 31st day of July of the following the financial year, explain in writing to the Minister, the reasons for its failure to utilise the grant.

- (c) Explaining 'un-absorbable', 'unavoidable' and 'unforeseeable' as used in supplementary appropriations:

- 'Unabsorbable' means an expenditure that cannot be funded through virement;
- 'Unavoidable' means an expenditure that cannot be postponed to the next financial year; and
- 'Unforeseeable' does not include an expenditure that was foreseeable by the vote at the time of preparation of the budget of the vote or an expenditure that should have been included in the budget of the vote.

Solution 2

(a) Powers of the PPDA Tribunal:

In performing its functions, the Public Procurement and Disposal of Public Assets Appeals Tribunal shall have powers:

- To take evidence on oath;
- To proceed in the absence of a party who has had reasonable notice of the proceedings;
- To adjourn the hearing of the proceedings;
- To make an order as to costs against any party, which shall be enforceable like an order of the High Court; and
- To request to examine a witness who is outside Uganda.
- The Tribunal shall have powers of the High Court to summon a person to appear before it to give evidence; or
- To demand production of books, documents or things mentioned in the summons that are in the possession, custody or control of the person named in the summons.
- To receive evidence by affidavit and administer interrogations and require the persons to whom interrogations are administered to make a full and true reply to the interrogations

(b) Contents of annual procurement plan:

The annual procurement plan of a procuring and disposing entity shall state—

- The works, services and supplies to be procured;
- The contract packages of the works, services and supplies to be procured and the estimated cost of each package;
- A time schedule of the procurement requirements;
- The common use items;
- The works, services and supplies to be used in common by the procuring and disposing entity with another procuring and disposing entity;
- The resources required for the procurement, supported by a schedule of the projected funding;
- The recommended method of procurement for each contract package and the time estimated for each stage of procurement; and
- The type of contract recommended for each requirement and where applicable, the requirement for deviation from the use of the standard bidding documents.

(c)

The contents of the Requisition for Disposal of assets as per FORM 28

- Disposal reference number
 - Code of procuring and disposing entity
 - Financial year
 - Sequence number.
- Particulars of Disposal
 - Subject of disposal
 - Disposal plan reference
 - Location/site of asset
- Details relating to the asset for disposal
 - Description of asset
 - Reference number from Asset Register
 - Reserve Price
- Signatures;
 - Request for Disposal/ (Originating officer)
 - Approval for Disposal/ (Accounting officer)

Solution 3

(a)

(i) Accounting treatment:

The transactions should be accounted for as finance lease under IPSAS 13: Leases. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset.

KRA should recognise finance lease asset and corresponding finance lease obligation. The asset and liability shall be recognised at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments (MLP), each determined at the inception of the lease.

Recognition amount is: Lower of Fair value and PV of MLP

- Fair value is Shs 260 million.

Annual lease payments $40 \times 2 = 80$ million			
• The PV of Minimum Lease Payments			
Years	Cash outflows	(PVIF) Rate	PV cash flows

		(18%)	
1-4	80,000,000	2.690	215,200,000
4	100,000,000	0.516	<u>51,600,000</u>
			266,800,000

KRA should recognise the Finance lease asset and associated finance lease obligation at Shs 260,000,000.

Dr. Finance lease asset-Motor vehicles Account Shs 260,000,000

Cr. Finance lease obligation Shs 260,000,000

(ii) Extracts in financial statements

Apportionment of lease payments (Shs '000')

	Year 1	Year 2	Year 3
Opening lease liability	260,000	226,800	187,624
Interest expense	46,800	40,824	33,772
Reduction in lease liability	33,200	39,176	46,228
Closing Lease liability	226,800	187,624	141,396

Interest rate 0.18

Annual lease payment 80,000

KRA statement of performance (extract) in Shs '000'

	Year 1	Year 2
Interest expense	46,800	40,824
Depreciation expense	26,000	26,000

KRA Statement of financial position (extract) in Shs '000'

	Year 1	Year 2
Non-Current assets		
Finance Lease- Motor vehicles (CA)	234,000	208,000
Current Liabilities		
Finance lease obligation	39,176	46,228
Non-current liabilities		
Finance lease obligation	187,624	141,396

(b)

(i)

A provision is a liability of uncertain timing or amount.

Provisions—Are recognised as liabilities assuming that a reliable estimate can be made because they are present obligations and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations; and--

A contingent liability is:

A possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

A present obligation that arises from past events, but is not recognised because:

- It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities—Are not recognised as liabilities.

(ii)

Recognition of Provisions:

A provision shall be recognised when:

- An entity has a present obligation (legal or constructive) as a result of a past event;
 - It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and--
 - A reliable estimate can be made of the amount of the obligation.
- If these conditions are not met, no provision shall be recognised.

Measurement bases:

- Best Estimate:

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of a provision.

- **Present Value:**
Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation.
- **Future Events.**
Future events that may affect the amount required to settle an obligation shall be reflected in the amount of a provision where there is sufficient objective evidence that they will occur.
- **Expected Disposal of Assets:**
Gains from the expected disposal of assets shall not be taken into account in measuring a provision.

Solution 4

(a)

- (i) **Office of the Auditor General:**
Office of the Auditor General- derives the mandate from the Constitution; PFMA 2015 as amended and National Audit Act 2008.

- Issuing a grant of credit to the Minister of Finance before any funds are withdrawn from consolidated fund.
- Audit and report on the public accounts of Uganda and of all public offices including the courts, the central and local government administrations, universities and public institutions of a similar nature, and any public corporation or other bodies or organisations established by an Act of Parliament.
- Conduct financial, value for money audits and other audits such as gender and environment audits in respect of any project or activity involving public funds;
- Audit classified expenditure;
- Audit all Government investments;
- Carry out procurement audits; and
- Audit treasury memoranda
- Carry out special audits and make special audit reports

- (ii) **Inspectorate of Government:**
It derives the mandate from the Constitution and the Inspectorate of Government Act, 2002.

The roles of Inspectorate are—

- To promote and foster strict adherence to the rule of law and principles of natural justice in administration;
- To eliminate and foster the elimination of corruption, abuse of authority and of public office;
- To promote fair, efficient and good governance in public offices;

- To enforce the Leadership Code of Conduct;
- To investigate any act, omission, advice, decision or recommendation by a public officer or any other authority to which this section applies, taken, made, given or done in exercise of administrative functions;
- To stimulate public awareness about the values of constitutionalism in general and the activities of its office, in particular, through any media and other means it considers appropriate;
- To inquire into the methods by which law enforcing agents and the state security agencies execute their functions, and the extent to which the practices and procedures employed in the execution of such functions uphold, encourage or interfere with the rule of law in Uganda;
- To investigate the conduct of any public officer which may be connected with or conducive to; the abuse of his or her office or authority; the neglect of his or her official duties; economic malpractices by the officer;
- To take necessary measures for the detection and prevention of corruption in public offices;
- To perform any other functions that Parliament may prescribe.

(iii) Parliament: –

The Constitution establishes a Parliament to carry out legislative oversight and representation function.

Specifically and in the context of public finance management, the Parliament is responsible for:

- Enacting the finance legislation.
- Scrutiny and appropriation of annual budget estimates.
- Approving borrowings by the Government; and
- Oversight through the oversight committees of Parliament, such as PAC, COSASE. Budget committee, LGPAC and Committee of National Economy.
- Examining the Auditor General's reports and recommending appropriate action (Treasury Memoranda).

(b)

IPSAS 1: Presentation of Financial Statements; sets out the overall considerations in the presentation of financial statements as listed below:

- Fair Presentation and Compliance with IPSASs:
- Fair Presentation:
Financial statements shall present fairly the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSASs.

- **Compliance with IPSASs:**
An entity whose financial statements comply with IPSASs shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with IPSASs unless they comply with all the requirements of IPSASs
- **Going Concern.**
When preparing financial statements, an assessment of an entity's ability to continue as a going concern shall be made. This assessment shall be made by those responsible for the preparation of financial statements. Financial statements shall be prepared on a going concern basis unless there is an intention to liquidate the entity or to cease operating, or if there is no realistic alternative but to do so
- **Consistency of Presentation:**
The presentation and classification of items in the financial statements shall be retained from one period to the next unless:
 - (a) It is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in IPSAS 3; or
 - (b) An IPSAS requires a change in presentation.
- **Materiality and Aggregation:**
Each material class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall be presented separately, unless they are immaterial.
- **Offsetting:**
Assets and liabilities, and revenue and expenses, shall not be offset unless required or permitted by an IPSAS.
- **Comparative Information:**
Except when an IPSAS permits or requires otherwise, comparative information shall be disclosed in respect of the previous period for all amounts reported in the financial statements. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

Solution 5

(a)

(i) Secrecy and Confidentiality and conflict of interest:

Secrecy and Confidentiality:

- A public officer is a custodian of official information that comes into his or her possession in the course of his or her duty in the Public Service.

The release of such information must be guided by the laws relating to rights of access to information as prescribed in the Official Secrets Act and other relevant laws that may be enacted from time to time.

- A public officer shall continue to maintain secrecy and confidentiality of official information even after he or she has left the Public Service.

Such information shall not at any point in time be used against the government.

- A Public Officer shall not at any time engage himself or herself in loose talk and make unguarded statements.
- A Public Officer shall not publish any official information in any document, article, book, play, film or otherwise without explicit permission from the Responsible Officer.
- For Royalties, Patents and Copyrights, a Public Officer shall notify his or her Responsible Officer if he or she creates what is believed to be an invention.
- A Public Officer shall not communicate with the media on issues related to work or official policy without due permission from the authorizing officer.
- Official information will be released to the media by officials who have been authorised to do so according to the laid down procedures.
- A Public Officer shall not use official information acquired in the course of official duties to advance personal gain.

Conflict of interest:

- In the execution of official government business, a public officer shall not put himself or herself in a position where his or her personal interest conflicts with his or her duties and responsibilities as a public officer.

The Public Officer is required to inform his or her supervisor of the nature and extent of his or her interest.

- A Public Officer shall not either directly or indirectly enter into any contracts with Government.

This is unethical since it affects the impartiality of the public officer and mars his or her reasonable judgement.

- Any Public Officer infringing this regulation shall be liable to disciplinary action.

(ii)

Challenges in enforcing the leadership code of conduct:

- Inadequate funding:
The Inspectorate of Government experiences shortages in funding for its activities making it difficult to perform this mandate.
- Litigation in courts of law:
Decisions and recommendations of Inspectorate have been challenged in courts of law for unfair hearing and investigations.
- Understaffing:
With limited staff, the enforcement activities cannot be fully undertaken leading to backlog of cases to be lodged.
- Negative public perception:
There is public perception that the Inspectorate is used to settle political scores by government on its political opponents especially those on Opposition.
- Delays in court hearings and settlements:
Inspectorate cannot determine how the courts do their work and this has resulted in a number of cases being in the courts of law without being heard. This creates a backlog of cases to be disposed.
- Inadequate institutional support from other agencies:
Inspectorate cannot work in isolation but requires all government and other stakeholders' support in enforcing the leadership code.

(b)

The relevant IPSAS is IPSAS 31: Intangible Assets

IPSAS 31: Intangible Assets defines an intangible asset as an identifiable non-monetary asset without physical substance. *The software system therefore falls into this category.*

An intangible asset shall be recognised if, and only if:

- It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- The cost or fair value of the asset can be measured reliably.

To assess whether an internally generated intangible asset meets the criteria for recognition, an entity classifies the generation of the asset into:

- A research phase; and
- A development phase.

Development phase:

An intangible asset arising from development or from the development phase of an internal project shall be recognised if, and only if, an entity can

demonstrate that the asset will generate probable future economic benefits or service potential.

MDA should recognise an intangible asset at a cost of Shillings 9.5 billion in statement of financial position (expenditure incurred since 1 February, 2019 when the recognition criteria were met.

Research Phase:

No intangible asset arising from the research phase of an internal project shall be recognised. Therefore, this expenditure is recognised as an expense when it is incurred.

MDA should recognise Shillings 2.5 billion expenditure incurred before February 1, 2019 as an expense in the statement of financial performance because the recognition criteria were not met until 1 February, 2019.

ANSWERS TO TEST PAPER 9 CPA (U) MARCH 2021

Solution 1

(a)

(i)

Bugiro Municipal Council: Statement of financial performance for the year ended 30 June 2019

	Shs '000'
Income:	
Local revenue (W1)	192,320
Development partners grants (W2)	1,586,823
Central Government transfers	3,970,750
Transfers from other local governments	28,000
Other income	<u>7,000</u>
	5,784,893
Expenditure:	
Health and environment	600,000
Administration (W3)	955,850
Internal audit	94,000
Education	2,845,000
Works (624,000-124,000)	500,000
Finance	<u>97,000</u>
Total expenditure	5,091,850
surplus for the year	693,043
Revaluation surplus	<u>120,000</u>
Accumulated surplus c/f	<u>813,043</u>

(ii)

Bugiro Municipal Council: Statement of financial position as at 30 June 2019

	Shs '000'
Asset:	
Current Assets:	
Bank accounts	226,000
Receivables from Exchange Transactions(8000-5200)	2,800
Staff Advances(117000-14000)	103,000
Maintenance materials	<u>124,000</u>
	455,800
Non-Current asset:	
PPE (W4)	969,900
Total assets	<u>1,425,700</u>
Current Liabilities:	
Prepaid land fees	8,300
Grant payable	300,000
Pension Contribution	<u>45,000</u>
	353,300
Non-current Liabilities:	
Net assets/Equity:	
Fund balance	259,357
Revaluation Reserve	120,000
Accumulated surplus	<u>693,043</u>
Total equity	1,072,400
Total net assets and liabilities	<u>1,425,700</u>

Workings:

1	Local revenue:	Shs '000'
	Local service tax	25,000
	Property rates	15,000
	Taxi park fees (80,000-5,200)	74,800
	Land fees (48,500-8,300)	40,200
	Fines	8,000
	Local hotel levy	29,320
		<u>192,320</u>

2	Grants	Shs '000'
	Conditional (1,500,000 X 80%)	1,200,000
	Unconditional (1,886,823-1,500,000)	386,823
		<u>1,586,823</u>

		Shs '000'
3	Administration	722,000
	Missing cash	14,000
	Honorarium	7,000
	Travel Inland	83,250
	Allowances	56,500
	Depreciation-Buildings (.05 x 510,00)	25,500
	-Motor Vehicles(0.2 x (320,00-82,000))	<u>47,600</u>
		955,850

5. Property, Plant and Equipment

		Shs '000'	Shs '000'	Shs '000'
	Land	Buildings	Motor vehicles	Total
Opening balance	300,000	510,000	320,000	1,130,000
Additions	-	-	-	-
Revaluation	120,000			120,000
Acc.	-	(125,000)	(82,000)	(207,000)

depreciation				
	420,000	385,000	238,000	1,043,000
Depreciation for year		25,500	47,600	73,100
NBV	420,000	359,500	190,400	<u>969,900</u>

(b) IPSAS 12: Inventories

(i) Disclosure requirements:

The financial statements shall disclose:

The accounting policies adopted in measuring inventories, including the cost formula used;

The total carrying amount of inventories and the carrying amount in classifications appropriate to the entity;

The carrying amount of inventories carried at fair value less costs to sell;

The amount of inventories recognized as an expense during the period;

The amount of any write-down of inventories recognized as an expense in the period;

The amount of any reversal of any write-down that is recognized in the statement of financial performance in the period;

The circumstances or events that led to the reversal of a write-down of inventories;

The carrying amount of inventories pledged as security for liabilities.

(ii) Costs excluded:

Examples of costs excluded from the cost of inventories and recognized as expenses in the period in which they are incurred are:

Abnormal amounts of wasted materials, labor, or other production costs;

Storage costs, unless those costs are necessary in the production process before a further production stage;

Administrative overheads that do not contribute to bringing inventories to their present location and condition; and

Selling costs.

(c)

(i) Journal entries

	Dr Shs '000'	Cr Shs '000'
Transfer cost of building		
Disposal buildings A/c	450,000	
Buildings A/c		450,000
Recording transfer of Acc dep		
Acc. dep	80,000	
Disposal of buildings A/c		80,000
Transfer revaluation surplus		
Revaluation reserve	75,000	
Disposal Buildings		75,000
Record of receipt of cash		
Bank	430,000	
Disposal of buildings A/c		430,000

Acquisition of furniture(part
exchange)

	Dr Shs '000'	Cr Shs '000'
Furniture and fixtures A/c	155,000	
Bank A/C		127,000
Disposal old furniture(Part Exchange)		28,000
Disposal of old furniture.		
Disposal of furniture A/c	62,000	
Furniture		62,000
Transfer of Acc dep Furniture		
Acc. dep A/c (furniture)	30,000	
Disposal of furniture A/c		30,000
Recording part exchange		
Furniture & fixtures A/c	28,000	
Disposal of furniture A/c		28,000

(ii) Gain or loss on disposal

Gain/Loss on Disposal	Buildings	Furniture
	Shs '000'	Shs '000'
Proceeds from disposal	430,000	28,000
Acc. depreciation	80,000	30,000
Revaluation	75,000	-
Cost	(450,000)	(62,000)
Gain/(Loss)	135,000	(4,000)

(d)

Mayoga Local Government
Statement of outstanding arrears of Revenues
As at 30 June, 2019

	Arrears b/forward June 30, 2018	Billing during the year	Amount collected during the year	Transferred to Consolidated Fund	Collected and Unspent	Total arrears
	Shs	Shs	Shs	Shs	Shs	Shs
Property rates	350,000	7,500,000	(7,500,000)			350,000
Taxi park fees	3,025,867	62,540,250	(54,325,943)		5,432,594	11,240,174
Land fees	1,358,000	25,238,456	(24,537,450)			2,059,006
Investment income	2,000,000	12,560,000	(12,560,000)	12,560,000		2,000,000
Fines	561,879	3,245,684	(3,807,563)			-
sundry revenue	2,584,365	4,500,061	(6,250,100)			834,326
Local hotel levy	52,400	2,025,800	(1,978,526)			99,674
Total	9,932,511	117,610,251	110,959,582	12,560,000	5,432,594	16,583,180

Solution 2

- (a) (i) The basic qualifications for bidders:
That the bidder has the legal capacity to enter into the contract;
That the bidder is not—
(a) insolvent;
(b) in receivership;
(c) bankrupt; or
(d) being wound up;
That the bidder's business activities have not been suspended;
That the bidder is not the subject of legal proceedings for any of the circumstances mentioned in paragraph (b); and
That the bidder has fulfilled his or her obligations to pay taxes and social security contributions.
- (ii) The choice of the procurement method is determined by the following factors:
The estimated value of the requirement, for example use of micro procurement method whose requirements estimated value is low or below the prescribed threshold.
The circumstances relating to the requirement, for example use of direct method, where is insufficient time for any other method such as in emergency situation or where there is one supplier or service provider.
The type of procurement, whether supplies, works or non-consultancy services.
- (iii) Direct procurement may be used where; (specified in fourth schedule)
There is insufficient time for any other procedure such as in an emergency situation; or
The works, services or supplies are available from only one provider; or
An existing contract could be extended for additional works, services or supplies of a similar nature and no advantage could be obtained by further competition, if the prices on the extended contract are reasonable; or
Additional works, services or supplies are required to be compatible with existing supplies, works or services and it is advantageous or necessary to purchase the additional works, services or supplies from the original

supplier, provided the prices on the additional contract are reasonable;
or

It is essential or preferable to purchase additional works, services or supplies from the original supplier to ensure continuity for downstream work, including continuity in technical approach, use of experience acquired or continued professional liability, if the prices on the additional contract are reasonable;

(b)

Memo.

To: Management of UNGO
From: Procurement Specialist
Date: Exam date
RE: Records of disposal

Introduction:

Refer to the request for me to highlight records that a Procuring and Disposing Entity is required to maintain regarding disposals of public assets. These records are specified in the PPDA Disposals of public assets, Regulations for Central Government, Regulation 45 45(2) and Local Government (Public Procurement and Disposal of Public Assets) Regulations 2006, Regulation 12 (5).

Records to be maintained:

The records of disposal shall include the following:

A request to initiate disposal proceedings;

A report of the board of survey;

A copy of an invitation notice;

A copy of the bidding documents, and the amendments, clarifications and additions to the bidding documents such as the catalogue of the auctioneer or general descriptive literature;

A report on the inspection of the public assets by the potential bidders;

A record of the bid opening process;

The records of the Contracts Committee;

A copy of the bids that were evaluated and the requests for clarifications by the evaluation committee and the responses received in respect of the requests;

The evaluation report;

Minutes of the negotiation proceedings;

A copy of the letter of bid acceptance issued to the successful bidder;
The contract;

Documents related to the management of the contract for disposal
receipts of payment and the handing over certificate;

A copy of the public assets register of the procuring and disposing entity;
and

All correspondence between the procuring and disposing entity and the
bidders, the auctioneer or the third party disposal agent.

Report from professional valuer if appointed

Certificate of destruction if the disposal was by destruction.

Solution 3

(a)

(i) Transfers to the Consolidated Fund.

Public Finance Management Act Section 59 provides for the following in
relation to transfers from the Petroleum Fund to the Consolidation Fund.

The money withdrawn from the Petroleum Fund to the Consolidated Fund
to support the annual budget shall not exceed the amount authorized by
Parliament in the Appropriation Act.

The money withdrawn from the Petroleum Fund to the Consolidated Fund
shall, upon deposit, constitute an integral part of the Consolidated Fund
and shall be governed by the provisions of the PFM Act.

For avoidance of doubt, petroleum revenue shall be used for the financing
of infrastructure and development projects of Government and not the
recurrent expenditure of Government.

Any money that is authorized by Parliament in the Appropriation Act, but
which is not withdrawn from the Petroleum Fund by the end of a financial
year shall be retained in the Petroleum Fund.

Money appropriated to the Consolidated Fund from the Petroleum Fund
shall be withdrawn quarterly in accordance with the annual cash flow plan
of Government.

The balance if any, after a withdrawal under subsection (5) may in
accordance with the annual cash flow plan of Government be invested by
Bank of Uganda and the revenues and benefits shall be available at call.

The balances invested under subsection (6) and any return on the investments shall be paid into the Petroleum Fund.

(ii)

Reports on petroleum fund to Parliament

Public Finance Management Act Section 61 provides for the following in relation to the reports on the petroleum fund.

The Minister of finance shall—

Not later than 30th September, table before Parliament the estimated petroleum revenue for the financial year.

For every financial year, table before Parliament, the Semi-annual and annual reports of the Petroleum Fund by 1st April and 31st December indicating;

The amount transferred to the Consolidated Fund, for the preceding two financial years;

The actual inflows and outflows of the Petroleum Fund;

The volumes and values of the petroleum produced; and

The source of the petroleum revenue.

(b)

Benefits of implementing IPPS in Public financial management:

Introduction:

IPPS is an enterprise-wide integrated, computerised and efficient human resource management information system that is used by Ministries, Departments, Agencies and Local Governments to undertake human resource management activities from recruitment to separation including payroll and pension processing.

Benefits:

Provides for a one stop centre for reliable and consistent human resource information.

Improves reporting capability in terms of the number and variety of Human Resource (skills).

Efficiency and consistency in payroll, HR processing, reporting and standardize pay and benefits business processes.

Strengthens accountability and control of human resource, payroll and pension management.

Improves transaction processing through real time processing of HR transactions.

It allows integration with other government information systems such as IFMIS hence avoiding duplication, paper flow and manual adjustments and saving resources.

(c)

(i) Attendance to duty:

A Public Officer shall observe the official working days in accordance with the regulations and shall always be available for official duty when called upon.

A Public Officer shall without exception perform his or her duty in a manner that conveys professionalism, respect and conforms to morally accepted standards.

A Public Officer shall commit working hours to official duties.

A Public Officer in position of authority shall exercise such authority with due diligence and trust and shall demonstrate a high standard of Performance of duty and conduct.

A Public Officer shall not hold two jobs at any point in time (moonlighting), and shall not draw two salaries from government payrolls.

A Public Officer shall be results-oriented and committed to the performance of his or her duties.

A Public Officer shall set clear standards of performance that customers can reasonably expect.

(ii) Action taken for absenteeism from duty:

A Public Officer shall seek and obtain permission from his or her supervisor to be absent from duty. Permission shall not be unreasonably denied or granted.

A Public Officer shall, during official working hours, report his or her absence from office to his or her immediate supervisor or relevant persons.

Under Regulation 37 of the Public Service Commission Regulations, 2009 Where an officer absents himself or herself from duty without reasonable cause or fails to report his or her absence from office, the responsible officer shall

(a) Notify the officer to that effect within fourteen days from the date of absence from his duty and

- (b) Call upon the officer to explain his or her absence from duty within a period of fourteen days from the date of the letter of notification.

Where the officer fails to show cause, the responsible officer shall-

- (a) Immediately stop payment of salary of the officer
- (b) Report to the Secretary Public Service Commission in a detailed memorandum including appropriate recommendations on abandonment of duty by the officer.

Solution 4

(a)

- (i) Change in accounting policy is accounted for in accordance with IPSAS 3: Accounting policies, change in accounting estimates and errors.

During the year 30 June 2019, the Ministry changed its accounting policy for treatment of borrowing cost related to construction of Katamba dam. Previously, the costs were being capitalized. They are now being written off as expenses incurred. This change in accounting policy should be accounted for retrospectively and comparable statements for 2018 restated.

The effect of the changes will be accounted for in the financial statements of the Ministry as follows.

Statement of performance:

The interest expense of Shs 4.2 billion and Shs 3.38 billion will be expensed in the statement of performance for the financial years ended 30 June 2019 and 2018 respectively as shown in working 1. The surplus for the financial years ended 30 June 2019 and 2018 will be reduced to Shs20.9 billion and 12.2 billion respectively.

Statement of financial position:

The equity/ net asset will have the following balance as at the end of 30 June 2019.

Capital contribution of Shs 250 billion

Accumulated surplus of Shs 56.66 billion.

(Refer to working 2 below)

Statement of changes in equity for the financial year ended 30 June 2019.

The statement of changes in equity is as shown below.

Statement of Changes in Equity	Capital contribution	Accumulated surplus	Total
	Shs	Shs	Shs

	'billion'	'billion'	'billion'
Balance at 1 July 2019	250.00	45.90	295.90
Prior year adjustment (3.38+6.76)	-	(10.14)	(10.14)
	250.00	35.76	285.76
Surplus before interest of 2019	-	25.10	25.10
Interest expense 2019	-	(4.20)	(4.20)
Balance as at 30 June 2019	<u>250.00</u>	<u>56.66</u>	<u>306.66</u>

Working 1

Statement of Financial performance:		
	2019	2018
	Shs 'billion'	Shs 'billion'
Surplus before Interest	25.10	15.60
Interest expense	(4.20)	(3.38)
	<u>20.90</u>	<u>12.22</u>

Working 2

Accumulated surplus	
	Shs 'billion'
Balance as at 1 July 2018	30.30
Surplus for 2018	<u>15.60</u>
	45.90
Less Interest expense 2018	(3.38)
Less: Interest expense prior to 2018	(6.76)
	<u>35.76</u>
Surplus for 2019 before interest	<u>25.10</u>
	60.86
Less Interest expense 2019	(4.20)
Balance as at 30 June 2019	<u>56.66</u>

- (ii) Limitations of retrospective application.

When it is impracticable to determine the period-specific effect or the cumulative effect of the change.

When it is impracticable to determine the period-specific effects of changing accounting policy on comparative information for one or more prior periods presented.

When it is impracticable to the cumulative effect, at the beginning of the current period, of applying a new accounting policy to all prior periods.

(b)

Advice on Scenarios.

The transactions will be treated in accordance with IPSAS 19: Provisions, contingent liabilities and contingent assets.

Scenario 1:

For year ended 30 June 2019,

URNA should recognize Shs 2.905 billion as the cost of the burrow pit as shown below.

Cost of Burrow pit.	Shs '000'
Purchase price.	2,500,000
Restoration cost (15%X2,500,000)	375,000
Access road	30,000
	2,905,000

Make a provision for restoration costs since there is an obligation to restore the borrow pit at reporting date. A provision of Shs 375,000,000.

No provision should be made (No obligation) for compensation of Project Affected Persons (PAPs) since the extraction of gravel has not commenced at the reporting date. However this should be disclosed as a contingent liability.

Scenario 2

At 30 June, 2019:

There is a present obligation as a result of past event (guaranteeing of the borrowing). The Ministry should therefore make a provision for it since it is probable there will be settlement of the guarantee (borrowing).

The guarantee should be measured at higher of:

- (i) Best estimate of the obligation; and
- (ii) Amount initially recognized less accumulated amortization.

The guarantee is initially recognized at fair value.

(c)

- (i) Events after the reporting date:

Are those events, both favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue. Two types of events can be identified:

Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

(ii) Examples of Adjusting Events after the Reporting Date:

The settlement after the reporting date of a court case that confirms that the entity had a present obligation at the reporting date.

The receipt of information after the reporting date indicating that an asset was impaired at the reporting date, or that the amount of a previously recognized impairment loss for that asset needs to be adjusted.

The determination after the reporting date of the cost of assets purchased, or the proceeds from assets sold, before the reporting date.

The determination after the reporting date of the amount of revenue collected during the reporting period to be shared with another government under a revenue-sharing agreement in place during the reporting period.

The determination after the reporting date of performance bonus payments to be made to staff if the entity had a present legal or constructive obligation at the reporting date to make such payments as a result of events before that date; and

The discovery of fraud or errors that show that the financial statements were incorrect.

(d) Amortised cost, interest revenue, cash flow

Year	Amortised cost at the beginning of the year Shs '000'	Interest Revenue (10%) Shs '000'	Cash flows Shs '000'	Amortised cost at end of the year Shs '000'
2014	10,000,000	1,000,000	626,280	10,373,720
2015	10,373,720	1,037,372	626,280	10,784,812

2016	10,784,812	1,078,481	626,280	11,237,013
2017	11,237,013	1,123,701	626,280	11,734,435
2018	11,734,435	1,173,443	(12,280,000+ 626,280) 12,907,878	-

Solution 5

(a)

(i) Users of public sector financial reports and their information needs.

The objectives of financial reporting by public sector entities are to provide information about the entity that is useful to users of General Public Financial reports (GPFRs) for accountability purposes and for decision-making purposes.

GPFRs of public sector entities are developed primarily to respond to the information needs of service recipients and resource providers who do not possess the authority to require a public sector entity to disclose the information they need for accountability and decision-making purposes.

Government: The discharge of accountability obligations requires the provision of information about the entity's management of the resources entrusted to it for the delivery of services to constituents and others, and its compliance with legislation, regulation, or other authority that governs its service delivery and other operations.

Parliament: The legislature (or similar body) and members of parliament (or a similar representative body) are also primary users of GPFRs, and make extensive and ongoing use of GPFRs when acting in their capacity as representatives of the interests of service recipients and resource providers to perform oversight role.

Citizens: Receive services from, and provide resources to, the government and other public sector entities. Therefore, citizens are primary users of GPFRs. They need information for assessing the sustainability of the entity's service delivery and other operations over the long term, and changes therein as a result of the activities of the entity during the reporting period.

Lenders, creditors, donors and others: that provide resources on a voluntary basis, including in an exchange transaction, make decisions about whether to provide resources to support the current and future activities of the government or other public sector entity.

Other service recipients and resource providers: such as residents who pay taxes and/or receive benefits but are not citizens; multilateral or bilateral donor agencies and many lenders and corporations that provide resources to, and transact with, a government; and those that fund, and/or benefit from, the services provided by international governmental organizations.

- (ii) Role of internal audit in vote management:
 - Appraise the soundness and application of the accounting, functional and operational controls of a vote;
 - Evaluate the effectiveness and contribute to the improvement of risk management processes of a vote; and
 - Provide assurance on the efficiency, and the effectiveness of the economy in the administration of the programmes and operations of a vote
- (b)
 - (i) Main features of a public sector entities are that:
 - It is an entity that raises resources from, or on behalf of, constituents and/or uses resources to undertake activities for the benefit of, or on behalf of, those constituents; and
 - There are service recipients or resource providers dependent on General Purpose Financial Reports of the entity for information for accountability or decision making purposes.
 - Provide services often free at point of delivery. They provide services not products and many of these are personal services.
 - Function with utmost autonomy under certain situations.
 - Serve the common good of the public as a whole. They cover all areas and activities of public service delivery.
 - They provide public goods and services that are unlikely to be provided at all by the private sector.
 - They are owned and controlled by central or local government.
 - (ii) Quasi-corporations:
 - Quasi-corporations are enterprises that are not incorporated or otherwise legally established, but function as if they were corporations;
- (c) Evaluation of impairment.
 - Impairment is indicated because the extent of use of the Health centre has reduced from 7 wards to 3 wards as the result of a reduction in the number of patients from 100,000 to 40,000 Patients. The reduction in the extent of use is

significant and the number of patients is expected to remain at the reduced level for the foreseeable future.

	Shs '000'
Acquisition cost 2007	2,800,000
Acc.dep,2014 $(2,800,000/70) \times 7$	<u>280,000</u>
Carrying Amount (CA),2014	2,520,000
Replacement cost(900 x 3)	2,700,000
Accumulated dep, 2014 $(2,700,000/70) \times 7$	270,000
Recoverable service amount	2,430,000
Impairment loss: (CA-RSA)	
Carrying amount (CA)	2,520,000
Recoverable Service Amount (RSA)	<u>2,430,000</u>
	90,000

ANSWERS TO TEST PAPER 10

CPA (U) OCTOBER 2021

Solution 1

(a)

- (i) National Oil Company: Statement of financial performance for the year ended 30 June 2018:

Details	Notes	Shs '000'
Revenue:		
Transfers from Treasury		10,034,600
Transfers from other agencies		9,270,460
Donors		451,670
Fees from sale of rights of oil wells		<u>2,185,430</u>
Total revenue		21,942,160
Expenses:		
Transfers to other Government units		316,700
Staff salaries		6,093,641
Motor vehicle maintenance	1	152,700
Travels inland		46,900
Travels abroad		73,800
Staff medical insurance		36,000
Other staff costs		46,923
Gratuity expenses	2	383,600
Pension costs		23,700
Loss on foreign exchange	3	10,000
Depreciation	5	525,350
Loss on disposal of assets	4	17,700
Interest expenses		200,000
Bankrupt debtor		120,000
Total Expenses		8,047,014
Surplus		13,895,146

Notes		
	Details	Shs '000'
1	MV Maintenance	
	TB Amount	132,700
	Mischarge	<u>20,000</u>
	Balance	152,700
2	Gratuity Expenses	
	TB Amount	403,600
	Mischarge	<u>(20,000)</u>
	Balance	383,600
3	Foreign exchange loss:	
	Difference in exchange rates (3,650-3,550) x 100,000	10,000
4	Loss on disposal of asset:	
	Cost of asset	80,000
	Accumulated depreciation	<u>(12,300)</u>
	Net Amount	67,700
	Disposal	50,000
	Loss on disposal	17,700

(ii) National Oil Company: Statement of financial position as at 30 June 2018

Details	Notes	Shs '000'
Assets		
PPE	5	14,477,650
Cash and cash equivalent	6	376,721
Receivables	7	<u>430,629</u>
Total assets		15,285,000
Liabilities		
Payables		595,100
Total liabilities		595,100
Net assets		<u>14,689,900</u>
Financed by :		
Equity		
Reserves	8	<u>14,689,900</u>

Note 5

Property , Plant and Equipment					
Details	Land	Buildings	Machinery and Equipment	Motor Vehicle	Total
	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'
Cost	10,000,000	3,800,000	1,320,000	400,000	15,520,000
Additions	-	-	-	-	-
Disposals	-	-	-	(80,000)	(80,000)
De-capitalisation	(200,000)	-	-	-	(200,000)
Balance c/f	9,800,000	3,800,000	1,320,000	320,000	15,240,000
Depreciation					
Bal b/ f	-	108,000	76,000	65,300	249,300
Disposal	-	-	-	(12,300)	(12,300)
Depreciation for the year	-	380,000	132,000	13,350	525,350
Accumulated Depreciation	-	488,000	208,000	66,350	762,350
Net Carrying Amount	9,800,000	3,312,000	1,112,000	253,650	14,477,650

Notes		Shs '000'
6	Cash and cash equivalent:	
	TB amount	326,721
	Receipts from disposal	50,000
	Balance	376,721
7	Receivables:	
	TB amount	560,629
	Loss in Foreign Exchange (Note 3)	(10,000)
	Bankrupt debtors	(120,000)
	Balance	430,629
8	Reserves:	
	Balance b/ f	794,754
	Surplus	13,895,146
	Balance	14,689,900

(iii) National Oil Company: Statement of Appropriation for the year ended 30 June 2018

Details	Budget	Actual	Variance
	Shs '000'	Shs '000'	Shs '000'
Revenue:			
Transfers from Treasury	10,500,000	10,034,600	465,400
Transfers from other Agencies	9,600,000	9,270,460	329,540
Donors	500,000	451,670	48,330
Fees from sale of rights of oil wells	2,200,000	2,185,430	14,570
Total revenue	22,800,000	21,942,160	
Expenses:			
Transfers to other units	450,000	316,700	133,300
Staff salaries	8,693,600	6,093,641	2,599,959
Motor vehicle maintenance	250,000	152,700	-97,300
Travels inland	70,000	46,900	23,100
Travels abroad	83,400	73,800	9,600
Staff medical insurance	50,000	36,000	14,000
Other staff costs	47,000	46,923	77
Gratuity expenses	600,000	383,600	216,400
Pension costs	156,000	23,700	132,300
Loss on foreign exchange	0	10,000	-10,000
Depreciation	525,350	525,350	0
Loss on disposal of assets	0	17,700	-17,700
Interest expenses	0	200,000	-200,000
Total expenses	10,808,050	7,927,014	
Surplus		14,015,146	

(b) (i) Increase in fair value due to physical changes

Details	Quantity	Cost (Shs)	Amount (Shs)
5 years at 30 June-4 years at 30 June	1,000	(150,000-120,000)	30,000,000
1 year at 30 June 2017- Zero years at 30 June 2017	100	(35,000-1,200)	3,380,000
0.5 years at 30 June 2017-Zero years at 30 June 2017	200	(15,000-1,200)	2,760,000
Total			36,140,000

(ii) Increase in fair value due to price changes

Details	Quantity	Cost (Shs)	Amount (Shs)
4 years at 30 June 2017 -1 July 2016	1,000	(120,000-100,000)	20,000,000
Zero years at 30th June 2017-1 July 2016	100	(1200-1,000)	20,000
0 Years at 30 June 2017-1 January 2017	200	(1200-1,000)	40,000
Total			20,060,000

(iii) Fair value less costs to sell of Kampisa Forest Reserve

Details	Quantity	Cost (Shs)	Amount (Shs)
5 Years	1,000	150,000	150,000,000
1 Year	100	35,000	3,500,000
0.5 years	200	15,000	3,000,000
Total			156,500,000

(c) Merits of application of IPSAS:

Helps in achievement of consistency to enable comparability of financial statements.

Improves on quality of financial statements.

Supports harmonization with national requirements.

Helps in formulation of Government Accounting Policies.

Provides guidance for recognition, measurement and presentation of financial transactions and other events.

Supports transparent financial reporting by Government and other public sector entities to achieve strong financial reporting.

Application of IPSAS guides on past transactions and events for accountability and input for decision making.

Solution 2

- (a) Challenges faced by the procuring and disposing entity in contract management:

Inadequate specifications and variations:

A poor provider may be procured or poor deliverables may be provided where the specifications are not done right.

Poor contract administration:

This results in failure to achieve timely execution of contracts and attainment of the intended objectives and increased contract costs.

Delays in payments:

Due to delayed funding to the procuring and disposing entity (PDE) from the finance ministry. When a contract is signed, the parties undertake to pay based upon certain deliverables and time. So delays in payments affect the contract management process.

Delays in inspection:

Caused by inadequate financial and human resources to undertake the activities. The PDE will be constrained to monitor the provider without adequate resources.

Disputes:

Management relationship disputes may arise that need to be settled without hampering the progress of contract execution.

Complexity of contract method:

The ease or difficulty of managing a contract is dependent on its simplicity or complexity. A contract should easily spell out its type, obligations of parties, payment terms, etc.

Lengthy procurement process:

The procurement process from bid submission to contract award is lengthy. Sufficient time and planning is necessary for time execution.

- (b) The relevant Standard is IPSAS 21: Impairment of Non-Cash Generating Assets.

		Shs
1	Acquisition Cost: 2010	1,200,000,000
2	Accumulated depreciation ,2018 $((1,200,000,000/60) \times 8)$	160,000,000
3	Carrying amount, 2018	1,040,000,000
4	Replacement cost (Shs 300m x 6)	1,800,000,000
5	Accumulated depreciation $((1,800,000,000/60) \times 8)$	240,000,000
6	Depreciated replacement cost before adjustments for remaining service units $(1,800,000,000-240,000,000)$	1,560,000,000

7	Value in use for the building after the landslide (1,560,000,000/2=780,000,000)	780,000,000
8	Fair Value less costs to sell of the building after landslide	790,000,000
9	Recoverable service amount (higher of 7 and 8)	790,000,000
10	Impairment loss (1,040,000,000-790,000,000)	250,000,000

- (c) Core aspects that public sector financial reporting should address regarding stake holders' information needs:

Stewardship:

Users of financial information seek information about accountability requiring governments as agents to justify the raising of public resources and the purposes for which they are used.

Accountability and decision making:

The stakeholders/ users seek information to make economic, social and political decisions.

Budgetary information and compliance:

Users seek information to examine conformity with approved expenditure limits by comparing actual financial results with the legally adopted budget.

Operating performance and position:

They need information for assessing the financial conditions and results of operations of public sector entities through analysis of revenue and expenditure; assets and liabilities, etc.

Adequacy of systems and controls:

They seek to determine compliance with finance-related laws, rules and regulations during the course of operations. Users will be questioning the extent to which laws, rules and regulations on public financial management were adhered to.

Values for money:

Users evaluate economy, efficiency and effectiveness of service delivery. They will be analysing the relationship between inputs and outputs to determine whether there is value.

Service delivery achievements:

The primary objective of governments and most public sector entities is to provide needed services to constituents. Consequently, the financial performance of governments and most public sector entities will not be fully or adequately reflected in any measure of financial results. Financial results will need to be assessed in the context of the achievement of service delivery objectives.

Solution 3

(a) Relevant IPSAS is IPSAS 31: Intangible Assets

	Notes	30 June 2013	30 June 2014
Details		Shs '000'	Shs '000'
Statement of financial performance:			
Expenses:			
System research and development		<u>5,000,000</u>	
Impairment loss	1		<u>1,300,000</u>
Statement of financial position			
Assets:			
Vice detecting system	1	<u>1,500,000</u>	<u>3,200,000</u>
Notes:			
1			
Intangible Asset at 30th June 2013		1,500,000	
Add: Investment of system in 2014		3,000,000	
Intangible asset at 30th June 2014			
(a)		4,500,000	
Recoverable Service Amount at 30th June 2014 (b)		3,200,000	
Impairment loss (a-b)		<u>1,300,000</u>	

(b) Objective and scope:

- (i) The objective of this Standard is to prescribe requirements for financial reporting of revenue arising from non-exchange transactions, other than non-exchange transactions that give rise to an entity combination.

The scope of the Standard are all public sector entities other than Government Business Enterprises that prepare and present financial statements under the accrual basis of accounting.

- (ii) Recognition of revenue:

An inflow of resources from non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As an entity satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction

recognized as an asset, it shall reduce the carrying amount of the liability recognized and recognize an amount of revenue equal to that reduction.

Measurement of revenue:

Revenue from non-exchange transaction shall be measured at the amount of the increase in net assets recognized by the entity.

(c) Challenges faced in the implementation of IPSAS:

High implementation cost. Statutory bodies responsible for enforcing accounting regulations require funding to roll out the implementation of IPSAS. These costs include research, training, technology and consultancy costs.

The IPSAS concept needs to be embraced by stakeholders such as Parliament, National Audit office, Treasury, Development partners as well as Non-Governmental Organisations.

Varying levels of national regulations relating to audit and preparations of financial statements, as well as developing ethics codes to meet local requirements.

Insufficient political goodwill in the implementation of better accountability in the public sector due to the divergent views on accountability.

Lack of legislative backing for adoption of IPSAS among public sector entities.

Solution 4

(a) The Local Government Institutional Framework for financial reporting Uganda:

Local Government Councils-established under the Local Governments Act and these local councils include district, municipality, town, division and sub-county councils. The Act establishes the Council as the highest political authority with in the area of jurisdiction.

Local Government Public Accounts Committee-The Act establishes a local Government Public Accounts Committee in every district and also provides for its composition and functions such as examining the reports of the Auditor General, among others.

Mayor/ Chairperson-the Act establishes a district chairperson whose title shall be mayor in case of a city. It provides for qualifications, election, and removal from office, functions, performance and delegation of duties.

Chief Administrative Officer/ Town Clerk-the Act establishes the Chief Administrative Officer/ Town Clerk for every district council/ urban council as the head of public service, the head of administration and Accounting Officer of the district council/ urban council.

Chief Finance Officer/ Municipal Treasurer-the Local Governments (Financial and Accounting) Regulations establishes the Chief Finance Officer/ Treasurer to be in charge of accounting and financial management of a district, city or municipal council.

Accounting Policies and Practices-these are the specific principles, bases, conventions, rules and practices adopted by the Government of Uganda to guide in preparing and presenting its financial statements.

International Public Sector Accounting Standards (IPSAS)-these play a key role in achieving consistent and comparable financial information across jurisdictions.

(b) Cash flow budget for the first six months of the financial year ending 30 June 2022

Item	Budget	July	August	September	October	November	December
Cash inflows	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'
Taxation	2,880,000	240,000	240,000	240,000	240,000	240,000	240,000
Sale of goods and services	1,776,000	148,000	148,000	148,000	148,000	148,000	148,000
Government releases	3,320,000	455,000	-	-	1,955,000	-	-
Donor funds	4,080,000	340,000	340,000	340,000	340,000	340,000	340,000
Other receipts	1,200,000	100,000	100,000	100,000	100,000	100,000	100,000
Total inflows	13,256,000	1,283,000	828,000	828,000	2,783,000	828,000	828,000
Cash outflows							
Employee costs	1,668,000	139,000	139,000	139,000	139,000	139,000	139,000
Goods and services consumed	3,420,000	285,000	285,000	285,000	285,000	285,000	285,000
Allowances paid	390,000	32,500	32,500	32,500	32,500	32,500	32,500
Pensions paid	1,260,000	105,000	105,000	105,000	105,000	105,000	105,000
Domestic arrears paid	1,380,000	-	460,000	-	-	460,000	-
Medical for staff	540,000	45,000	45,000	45,000	45,000	45,000	45,000
Locust invasion expenses	1,500,000	-	-	-	1,500,000	-	-
Total payment for operations	10,158,000	606,500	1,066,500	606,500	2,106,500	1,066,500	606,500
Net cash flows from operations	3,098,000	676,500	(238,500)	221,500	676,500	(238,500)	221,500
Cash flows from investing activities							
Construction of school structure	(4,958,000)	-	-	-	-	-	-
Sale of PPE	1,987,000	-	-	-	-	-	1,987,000
Purchase of motor vehicle	(140,000)	-	-	(140,000)	-	-	-
Net cash							

flows from investing activities	(3,111,000)	-	-	(140,000)	-	-	1,987,000
Cash flows from financing activities	-	-	-	-	-	-	-
Proceeds from Borrowings	-	-	-	-	-	-	-
Repayments of Borrowings	-	-	-	-	-	-	-
Net cash flows from Financing activities	-	-	-	-	-	-	-
Net increase or decrease in cash or cash equivalents	(13,000)	676,500	(238,500)	81,500	676,500	(238,500)	2,208,500
Cash at beginning of period	132,000	132,000	808,500	570,000	651,500	1,328,000	1,089,500
Cash at end of period	132,000	808,500	570,000	651,500	1,328,000	1,089,500	3,298,000

Solution 5

(a)

- (i) Sexual harassment is a conduct of a sexual nature that affects the dignity of women and men which is unwelcome, irritating, unreasonable and offensive to the recipient. It might be verbal or non-verbal.

Conflict of interest is a situation where a public officer has got to make a decision between his/ her personal interest and public interest.

(ii)

The office of Inspectorate of Government (IG) will conduct inquiries and investigations into the accusations.

The IG will require Mr. Mbalangu to answer any questions pertaining to these issues raised about him.

The IG will require provision of documents or certified copy of the document to help with these investigations.

After inquires and the suspect is found to be culpable, the IG may cause prosecution process against the culpable public officer.

(b) (i) Powers of the Secretary to the Treasury:

Issues directives and instructions to Accounting Officers.

In writing, requires an Accounting Officer to supply information that he/ she considers necessary for provision of public financial management.

During working hours, inspects the office of a vote and gain access to any information he/ she may require with regards to money and records.

Authorizes a public officer to inspect office of a vote.

(ii) Regulations on Appropriation:

At the close of the financial year, every appropriation shall expire and cease to have any effect.

A vote shall refund all monies appropriated but has not been spent at the end of the financial year to the consolidated fund.

A vote that refunds money at the end of the financial year shall adjust their annual work plan, procurement plan and recruitment plan to take into account the money not spent and the Minister responsible for this vote shall submit these as part of budget in the preceding year.

Where a local government does not utilize at least 60% of the unconditional or equalization grants within the financial year, shall by 31st July of the following year explain, in writing to the Minister, the reasons for the failure to utilize the grant.

The Minister shall make a report to Parliament explaining the reasons for non-utilization of the grant.

(iii) Why virement of a vote might not be authorized:

When the amount is more than 10% of the money allocated for an item or activity of a vote where it is from one item to another.

When the virement is contentious.

When the virement will result in future liability for the vote.

(iv) Duties of the Accountant General:

Specify the basis for the accounting to be adopted and classification system to be used.

Ensure that an appropriate system of accounting is established which ensures that all money received is promptly and properly brought to account.

Ensure that the system of internal control is appropriate to the needs of the vote and it conforms to international standards.

Disallow payment of funds which is wrong or deficient of content or which contravenes any law for the management of public money.

Ensure as far as practicable, that adequate provisions exist for safe custody of public money, securities, valuable documents and information.

Take precautions against fraud, embezzlement and mismanagement of public funds by carrying out inspections of the votes.

(c)

(i) Roles of Accounts staff in internal audit exercise:

The Finance and Accounts staff are expected to provide the internal auditor with relevant information required of them in reasonable time and form.

Required to attend to any queries raised by the internal auditor regarding internal control systems and their operations.

(ii) Roles of Accounts staff in external audit exercise:

To prepare the accounts, together with all supporting schedules and notes thereto and submit them to the Chief Executive for onward delivery to the external auditors.

To arrange and provide all documents in the order in which the external auditors requires them.

To expeditiously and truly provide all answers, explanations and proof that the external auditors may require for purposes of completing the audit.

To take active participation in meetings between external audit team and management for the purposes of providing answers to queries raised.

To desist from interference of any kind with the external audit team.

ANSWERS TO TEST PAPER 11

CPA (U) DECEMBER 2021

Solution 1

(a) Journal entries for adjustments in respect of additional information:

NOTE 1

Central Government Grants	Shs '000'
As per question (All included)	1,107,000
Received	(26,000)
Accounted for	10,000
Statement of financial performance	1,091,000
DR: Revenue (Central Government Grants)	16,000
CR: Conditional Grants- Liability	16,000

NOTE 2:

Liquid nitrogen plant	Shs
1.7.2016 Cost	20,000,000
30.06.2018 Acc. depn (20 million/20 years) x 2	2,000,000
CA	18,000,000
Revalued amount (30.06.2018)	19,600,000
Revaluation gain	1,600,000
Depreciation to	
30.06.2019 19,600,000/(20-2 years)	1,088,889
30.06.2019 CA	18,511,111
Recoverable service amount	11,000,000
Impairment loss	7,511,111
DR: Revaluation Surplus	1,600,000
DR: Surplus/ Deficit	5,911,111
CR: Asset Account	7,511,111

NOTE 3:

Bulls	Shs
On initial recognition at FV	
1.7.2018 16 x 1,600,000	25,600,000
31.12.2018 5 x 2,000,000	10,000,000

31.12.2018	3 x 500,000	<u>1,500,000</u>
		37,100,000
Subsequently		
30.06.2019		
Increase in FV due to price changes		
3 years old bulls	16 x (2,000,000-1,600,000)	6,400,000
3.5 years old	5 x (2,500,000-2,000,000)	2,500,000
New-born	3 x (800,000-500,000)	<u>900,000</u>
		9,800,000
Increase in FV due to physical changes		
3 years goes to 4 years	16 x (3,500,000-2,000,000)	24,000,000
3.5 years goes to 4 years	5x (3,500,000-2,500,000)	5,000,000
0 years goes to 0.5 year	3 x (900,000-800,000)	<u>300,000</u>
		29,300,000
Total change in fair value		39,100,000
Fair Value at 30.06.2019	(5+16) x 3,500,000+ (3 x 900,000)	76,200,000
Less fair value at initial recognition		<u>37,100,000</u>
		39,100,000
DR: Biological assets	39,100,000	
CR Surplus/ Deficit		39,100,000

NOTE 4:

(a)

Recognition of inventory of eggs:	IPSAS 27	Shs
Market price / FV at point of harvest- initial recognition	12,000 x 1,000 trays	12,000,000
Contract price at Y/E	10,000 x 1,000 trays	10,000,000
NRV is the contract price		10,000,000
DR: Surplus/ deficit		2,000,000
CR: Inventory (eggs)		2,000,000
Recognise inventory of eggs in statement of financial position at Shs 10,000,000		

(b)

Recognition of inventory of Semen	Shs
Cost	20,000,000
NRV	14,000,000
DR: Surplus/Deficit	6,000,000

CR: Inventory (semen)	6,000,000
Recognize inventory of semen in statement of financial position at	14,000,000

Solution 1 (b)

Extract from Statement of Financial Performance [Based on classification of expenditures by nature]

	Notes	Actual 30 June 2019 Shs '000'	Actual 30 June 2018 Shs '000'
Operating revenue:			
Central Government Grants (1,107,000,000-26,000,000+10,000,000)	1	1,091,000	221,400
Operating expenses:			
Impairment loss on PPE	2	(5,911,111)	12,000
Gain of FV adjustments for biological assets	3	39,100	
Loss on inventory valuation- eggs	4(a)	(2,000)	
Loss on inventory valuation- semen	4(b)	(6,000)	
Surplus / (Deficit) for the year			

Solution 1 (c)

Additional statement as per IPSAS 24: Presentation of Budget Information in Financial Statements

	Original Budget	Final Budget	Actual amounts on a comparable basis 30 June 2019	Difference (Final Budget less Actual)
	Shs '000'	Shs '000'	Shs '000'	Shs '000'
Revenue:				
Locally Generated Revenue	287,000	287,000	357,750	(70,750)
Central Government Grants (1,091,000-10,000+26,000)	1,500,625	1,500,625	1,091,000	409,625
Donor Funds (700,497+90,540)	700,479	791,019	645,750	145,269
Transfers received from Other Government units	<u>247,000</u>	<u>247,000</u>	<u>483,500</u>	<u>(236,500)</u>

Total receipts	2,735,104	2,825,644	2,594,000	231,644
Expenditure:				
Employee costs	500,368	500,368	410,000	90,368
Goods and services consumed (684,032+26,000)+22,000	684,032	732,032	743,000	(10,968)
Acquisition of PPE (410,000+43500)	410,000	453,500	454,000	(500)
Transfers to other Organizations (10,000+10,000)	10,000	20,000	7,000	13,000
Social benefits (345,461+21,040)	345,461	366,501	235,500	131,001
Other expenses (758,422-32000)	758,422	726,422	720,000	6,422
Finance costs	26,821	26,821	22,500	4,321
Total expenditure	2,735,104	2,825,644	2,592,000	233,644
Net Revenue/ payments	-	-	2,000	(2,000)

Solution 1 (d)

- 1 An entity shall disclose the aggregate gain or loss arising during the current period on initial recognition of biological assets and agricultural produce and from the change in fair value less costs to sell of biological assets.
- 2 A description of biological assets that distinguishes between consumable and bearer biological assets and between biological assets held for sale and those held for distribution at no charge or for a nominal charge.
- 3 The methods and significant assumptions applied in determining the fair value of each group of agricultural produce at the point of harvest and each group of biological assets.
- 4 The fair value less costs to sell of agricultural produce harvested during the period determined at the point of harvest.
- 5 The existence and carrying amounts of biological assets whose title is restricted and the carrying amount of biological assets pledged as security for liabilities.
- 6 The nature and extent of restrictions on the entity's use or capacity to sell biological assets.
- 7 The amount of commitments for the development or acquisition of biological assets.
- 8 Financial risk management strategies related to agricultural activity.
If not disclosed elsewhere in the information published with the financial statements:
 - (a) Disclose the nature of activities involving each group of biological assets;

- (b) Disclose the non-financial measures or estimates of the physical quantities of each group of the entity's biological assets at the end of the period and output of agricultural produce during the period.

Solution 2

- (a) Roles of a procurement and disposal unit (PDU):
- Manage all procurement or disposal activities of the procuring and disposing entity except adjudication and the award of contracts;
 - Support the functioning of the Contracts Committee;
 - Implement the decisions of the Contracts Committee;
 - Liaise directly with the Authority on matters within its jurisdiction;
 - Act as a secretariat to the Contracts Committee;
 - Plan the procurement and disposal activities of the of the procuring and disposing entity;
 - Recommend procurement and disposal procedures;
 - Check and prepare statements of requirements;
 - Prepare bid documents;
 - Prepare advertisements of bid opportunities;
 - Issue bidding documents;
 - Maintain a providers' list;
 - Prepare contract documents;
 - Issue approved contract documents;
- Powers of a Procurement and Disposal Unit (PDU):
- Recommend the composition of the evaluation and negotiation committees, for the approval of the Contracts Committee;
 - Contract independent advice as may be necessary in the charge of its functions;
 - Ensure compliance with the PPDA Act, regulations and guidelines made under this Act, and best practices;
 - Manage bid proposals and pre-qualification submissions and make recommendations on them to the Contracts Committee;
 - Provide bid clarifications; and
 - Receive bids.

(b) Responsibilities of Parliament and Accountability committees:

Setting the legal and regulatory framework for accountability by passing laws for good governance of Uganda, including laws on public financial management such as PFM Act, Accountants Act, PPDA Act and Leadership Code Act, among others.

Providing, through legislative sanctions–taxation and acquisition of loans, the means of carrying out the work of government. This includes passing the Finance Act, Income Tax Act, Appropriations Act and approving loans for financing the budget.

Scrutinizing Government policy and administration through pre-legislative scrutiny of bills referred to the Parliamentary committees and scrutinizing the various objects of expenditure and the sums to be spent on each government program, project and activity.

Ensuring transparency and accountability in the application of public funds.

Monitoring the implementation of government programs and projects.

Debating matters of topical interest usually highlighted in the President's state-of-the-nation address.

Vetting the appointment of persons nominated by the President under the Constitution or any other enactment.

Examination of audited accounts showing the appropriation of the sums granted by Parliament to meet public expenditure of the Central Government, Judiciary, local governments, commissions, statutory authorities and state enterprises.

Laying the Auditor General's report on table for purposes of debate by the House and production of the Treasury Memoranda, and

Monitoring the operations of any commission or authority established under the constitution or any Act of Parliament.

(c)

Public sector refers to a section of entities that are owned and controlled by Central or Local Government. They include national governments, regional (e.g. state, provincial, territorial) governments, local (e.g. city, town) governments and related entities (e.g. agencies, boards, commissions and government enterprises).

Private sector, on the other hand, includes that part of the national economy that is not under direct state control. It is owned by private individuals or groups usually as a means of enterprise for profit rather than being owned by the state.

Differences between the private and public sector.

Private Sector	Public Sector
----------------	---------------

Introduction: It refers to the section of a nation's economy, which is owned and controlled by individuals or companies.	Introduction: It refers to the section of a nation's economy, which is under the control of government, whether it is central, state or local.
It is composed of organisations that are privately owned and not part of the government. These include corporations (both profit and non-profit), partnerships and charities. Examples include retail stores, credit unions and local businesses.	It is composed of organisations that are owned and controlled by the Government. They include federal, provincial, state or municipal governments. Also referred to as public bodies or public authorities. Examples include educational bodies, health care bodies, police and prisons services, local and central Government bodies and their departments.
Goods and services are exchanged on <i>quid-pro-quo</i> basis implying that an item or service is traded in return for something of equal value.	Services are provided free at the point of use and little or no direct link between the cost and government income (mainly taxation).
Primary objective is to make profit and build brand reputation. The entities provide quality services to the community to win the trust and good will in order to survive in the long run and compete with the other industry players. Examples of services provided include quality education, telecommunication services, etc.	Primary objective is to serve the citizens of the country. The enterprises are generally established with service motive. Examples of services provided include; generation of employment opportunities, postal services, providing education and health facilities at a low cost, providing security and railways services.
Resource mobilization is through issuing shares and debentures or by taking loans.	Resource mobilization is through public revenue like tax, duty, penalty, etc.
There is less government interference for entities.	Government has full control over the organisations.
The working environment is competitive in order to meet the commercial objectives.	The work environment is bureaucratic given that entities are not established to meet commercial objectives.
Assets are to deliver future cash flows rather than provide services.	Assets are to deliver services rather than provide future cash flows.
Legal framework- mainly regulated by the legislation for companies for financial reporting purposes.	Legal framework- mainly regulated by the country's established laws, regulations and rules and these differ across the world.
Entities will be in existence only where they are providing	Entities have the ability for extended longevity without funding in the current

shareholder value in form of dividends. Contrary to that, they will not be going concerns in the event of failure to satisfy their shareholders' needs.	periods as long as they will be able to receive resources in the future.
Stakeholders- the key are the shareholders. The others include employees, customers, suppliers, lenders, community, government and trade associations. The primary goal of shareholders is to maximize profits and enhance shareholder value.	Stakeholders- the key are citizens and their representatives. Others include international actors (e.g. Donors), national or political actors (e.g. legislators, governors), public sector agencies (e.g. MDAs), interest groups (e.g. unions, medical associations), commercial/ private for profit, non-profit organisations (NGOs, Foundations), Civil society members and users or consumers.

Solution 3

(a)

Role of external audit in public financial management and reporting:

Reducing the inherent risk in the principal-agent relationship by providing an independent, objective evaluation of the accuracy of the public sector entity's accounting and to report on whether the use of the resources was in accordance with the public's interest.

It also plays an important role in effective public sector governance through provision of unbiased, objective assessments of whether public resources are managed responsibly and effectively to achieve intended results.

It supports the governance roles of oversight, insight, foresight and accountability.

Oversight:

External audit facilitates decision-makers in exercising oversight by evaluating whether public sector entities are doing what they are supposed to do, spending funds for the intended purpose and complying with laws and regulations. It answers questions like, 'has the policy been implemented as intended?' and 'are managers implementing effective controls to minimize risks?'

Insight:

External audit provides insight to decision-makers to enable them in assessing which programs and policies are working and which are not, sharing best practices and benchmarking information and looking across public sector entities and among the levels of the public sector to find opportunities to borrow, adapt or reengineer management practices.

Foresight:

It also facilitates public sector entities (PSE) to look forward by identifying trends and bringing attention to emerging challenges before they become crises. It helps highlight challenges and identify risks and opportunities.

Accountability:

Fulfilling the accountability relationship between public sector managers and their governing bodies by providing independent, objective assessment of the fairness of management's representations on performance and assessment against criteria of management's systems and practices.

(b)

(i)

	Shs
Acquisition cost, 2004	2,400,000,000
	(2.4 billion-0) 15/60
Accum. Depn, June 2019	(15 years so far of the 60 years)
	(600,000,000)
Carrying amount (CA)	1,800,000,000
Replacement Cost	2,550,000,000
Acc. Depn(15/60 x 2,550,000,000)	(637,500,000)
Depreciated replacement cost	1,912,500,000
Value in use after regulation came into force	1,471,153,846
FV less costs to sell after regulation	1,350,000,000
Recoverable service amount (RSA) (Higher of the two)	1,471,153,846
Impairment loss (CA-RSA)	328,846,154

1

(ii)

Indicators of impairment:

Cessation, or near cessation, of demand or need for services provided by the asset.

Significant long term changes with an adverse effect on the entity have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the entity operates.

Evidence is available of the physical damage of an asset.

Significant long term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date and reassessing the useful life of an asset as finite rather than indefinite.

A decision to halt construction of an asset before it is complete or in a usable condition.

Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

(c) The accrual basis of accounting:

It improves the quality of financial management. It provides sufficient and necessary information to enable management assess the utilization of organizational resources, i.e., assets and the related liabilities.

It provides better quality information to stakeholders. It provides stock on fixed assets, liabilities, reserves, revenues and expenses. It enables meaningful analysis of the performance of organisations over time.

Provides a clear separation of capital and revenue thus enhancing decision making by providing information on capital expenditure that is spent to acquire or improve a long term asset and revenue expenditure that is expensed immediately for day to day operations.

It enhances comparability with the national accounts. This is possible because both the financial reports and national accounts are on the same basis of accounting.

It facilitates the application of value for money. It provides information necessary for the evaluation of efficiency, economy and effectiveness.

It facilitates managerial control through the provision of information necessary for setting performance standards, measuring performance and taking corrective actions when necessary.

It requires comprehensive accounting. The comprehensiveness eliminates the element of manipulation as several entries are made in respect of a single transaction affecting different accounts. For example, purchase of an asset requires opening the asset and depreciation accounts as opposed to expensing the costs.

It facilitates more effective audit. The comprehensive double entry provides an opportunity for a clear audit trail that is useful in tracking transactions from the financial statements to prime books of entry and vice versa.

Solution 4

(a)

(i) Fund accounting and its objectives:

Fund accounting is a method of segregating resources into categories i.e. funds to identify both the source and the use of funds. It involves use of self-balancing set of accounts, segregated for specific purposes in accordance with laws and regulations or special restrictions and limitations. The self-balancing set of accounts record cash and other financial resources together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The basic objectives of fund accounting are:

Demonstrating accountability and stewardship.

Determining financial condition.

Planning and budgeting.

Evaluating organisational and managerial performance.

Determining or forecasting cash flow.

(ii) Entity accounting:

This refers to an accounting method that records economic activities of an entity separately from those of its stewards, managers and owners. The method provides that the activities of an entity can be accounted for separately from those of its stewards, managers and owners who are not personally responsible for loans or other liabilities taken on by the entity. Separate accounting records and bank accounts for each entity must be maintained and not mixed with the assets and liabilities of stewards, managers and owners or business partners.

(iii) Modified cash basis of accounting:

This is an accounting method that combines elements of both the cash basis and accrual basis of accounting. It uses accruals for long-term balance sheet elements and the cash basis for short term ones.

(iv) Operational and reporting requirements of the Contingencies Fund as per PFM Act, 2015 as amended:

Operation of the Contingencies Fund:

- 1 There is established a Contingencies Fund which shall, every financial year, be replenished with an amount equivalent to 0.5 percent of the appropriated annual budget (excludes supplementary budget) of Government of the previous financial year.

The Contingencies Fund shall form part of the annual budget and Parliament may, in addition to the amount under subsection (1), appropriate such other money as it may deem necessary.

- 2 The Contingencies Fund shall be used to respond to natural disaster.

The Contingencies Fund shall be administered by the Minister.

The Minister shall by warrant addressed to the Accountant-General, authorize a withdrawal from the Contingencies Fund.

A direct charge shall not be made on the Contingencies Fund except where the charge is for a transfer of money from the Contingencies Fund to another vote for the purposes of responding to natural disaster.

An appropriation to the Contingencies Fund shall expire and cease to have any effect at the close of the financial year for which it is made.

Any balance of any money that is withdrawn from the Contingencies Fund that is not committed by the close of a financial year, shall be repaid into the Contingencies Fund by the 31st day of July.

Reporting on Contingencies Fund:

A report made by the minister for the Contingencies Fund in February and October each year while reporting about fiscal performance shall indicate—

The date of withdrawal of money from the Contingencies Fund;

The amount withdrawn;

The vote that received the funds;

The purpose of the expenditure; and

An explanation confirming that the withdrawal complies with the requirements of the Act.

Parliament may invalidate a withdrawal from the Contingencies Fund where Parliament determines that the requirements of this part are not complied with.

A withdrawal that is invalidated by Parliament under subsection (13) shall be treated as a loss of public funds as provided for under section 80 (1).

The Accountant General shall, for every financial year, prepare and submit to the Auditor-General, the accounts of the Contingencies Fund.

The Auditor General shall in accordance with the National Audit Act, make a report to the Parliament, on the accounts of the Contingencies Fund.

(b) Disclosures as per IPSAS 30—Financial Instruments: Disclosures

Qualitative disclosures:

For each type of risk arising from financial instruments, an entity shall disclose:

- (i) The exposures to risk and how they arise.
- (ii) Its objectives, policies and processes for managing the risk and the methods used to measure the risk.
- (iii) Any changes in (i) or (ii) from the previous period.

Quantitative disclosures:

For each type of risk arising from financial instruments, an entity shall disclose:

- (i) Summary quantitative data about its exposure to that risk at the end of the reporting period. This shall be based on information provided internally to key management personnel of the entity.
- (ii) Concentrations of the risk.

Solution 5:

(a) The Code of Conduct and Ethics for Uganda Public Service is based on the following principles:

Accountability:

A Public officer shall hold office in public trust and shall be personally responsible for his or her actions or inactions.

Decency:

A Public officer shall present himself or herself in a respectable manner that generally conforms to morally accepted standards and values of society.

Diligence:

A Public officer shall be careful and assiduous in carrying out his or her official duties.

Discipline:

A Public officer shall behave in a manner as to conform with the rules, regulations and the Code of Conduct and Ethics for Uganda Public Service generally and codes of professional conduct for the specific professions.

Effectiveness:

A Public officer shall strive to achieve the intended results in terms of quality and quantity in accordance with set targets and performance standards set for service delivery.

Efficiency:

A public officer shall endeavor to optimally use resources including time in the attainment of organisational objectives, targets or tasks.

Impartiality:

In carrying out public business, a Public officer shall give fair and unbiased treatment to all customers irrespective of gender, race, religion, disability or ethnic background. A Public officer shall make choices based solely on merit.

Integrity:

A Public officer shall be honest and open in conducting public affairs.

Loyalty:

A Public officer shall be committed to the policies and programmes of the Government both at national and local levels.

Professionalism:

A Public officer shall adhere to the professional codes of conduct, exhibit high degree of competence and best practices as prescribed in a given profession in the public service.

Selflessness:

A Public officer shall not put his or her own interest before public interest. He or she should not take decisions in order to gain financial and other benefits.

Transparency:

A Public officer shall be as open as possible about all the decisions and actions taken. He or she must always be prepared when called upon to give reasons for the decisions he or she has taken.

(b)

(i) Appointment of Local Government Public Accounts Committee members:

- (1) There is established in each district, a local government public accounts committee consisting of—
 - (a) Four members appointed by the district council on the recommendation of the district executive committee;
 - (b) One member appointed—
 - (i) In the case of a district with more than one urban authority, by an electoral college of the urban council executive committee members in that district; and
 - (ii) In the case of a district with only one urban authority, by the urban council on the recommendation of the urban executive committee.
- (2) A member of the local government public accounts committee appointed under subsection (1) (a) and (b) shall not be a member of a local government council or administration.

- (ii) Functions of Local Government Public Accounts Committee:
 - (1) The Local Government Public Accounts Committee shall examine the reports of the Auditor General, the head of internal audit and any other reports of commissions of inquiry in accordance with the Local Governments Act, 1997 as Amended.
 - (2) The Local Government Public Accounts Committee shall produce reports for submission to the council and the Minister.
- (iii) Functions of the District Local Council Chairperson as per Local Governments Act, 1997 as Amended.

A district chairperson shall—

 - (a) Preside at meetings of the executive committee of the district;
 - (b) Monitor the general administration of the district;
 - (c) Monitor the implementation of council decisions;
 - (d) Monitor and coordinate the activities of the municipal and town councils and of other lower local governments and administrative units in the district as per the Act;
 - (e) On behalf of the Council, oversee the performance of persons employed by the Government to provide services in the district and to monitor the provision of Government services or the implementation of projects in the district;
 - (f) Subject to section 64 (2) (g), coordinate and monitor government functions as between the district and the Government;
 - (g) Perform other functions that may be necessary for the better functioning of the district council, or which may be incidental to the functions of chairperson or imposed on the chairperson by any law.

ANSWERS TO TEST PAPER 12

CPA (U) MARCH 2022

Solution 1

(a)

- (i) Panya MC Group: Consolidated cash flow statement for the year ended 30 June 2020:

	Notes	Shs 'million'
Cash flows from operating activities:		
Surplus for the period		16,194.44
Non-cash items:		
Change in solid waste closure & post-closure liabilities		644.85
Inventory transferred to NKK		0.27
Change in post-employment benefit liability		(29.43)
Depreciation	W1	41,920.92
Loss on disposal of PPE	W2	2,588.62
Sub-total		61,319.68
Change in non-cash working capital balances:		
Taxes receivable		5,779.12
Trade and other receivables		(674.15)
Prepaid expenses		417.99
Inventory of supplies	W3	1.37
Accounts payable and accrued liabilities		5,710.92
Deferred revenue		28,846.50
		40,081.76
Net cash flows from operating activities		101,401.43
Cash flows from investing activities:		
Cash used to acquire PPE	W1	(31,336.10)
Proceeds from disposal of PPE		448.47
Increase in temporary investments		(57,072.39)
Decrease (increase) in long-term receivables		2,777.50
Net change from investing activities		(85,182.52)
Cash flows from financing activities:		
Proceeds from debt issuance		-
Repayment of long-term liabilities		(3,975.92)
Net change from financing activities		(3,975.92)
Net change in cash		12,242.99
Cash at beginning of the year		117,917.11
Cash at end of year		130,160.11

(ii)

Panya MC Group: Property, Plant and Equipment Schedule

Working 1

Consolidated schedule for property, plant and equipment as at 30 June 2020 (Amounts in Shs 'million')

	Land	Buildings	Machinery, equipment and vehicles	Water system	Sewer system	Roads	Work in progress	Total
Cost, start of year	143,254.89	250,287.06	187,350.16	294,691.62	402,042.57	566,590.65	12,343.61	1,856,560.56
Additions	1,798.34	3,323.03	9,916.64	3,815.08	761.12	7,022.73	4,699.15	31,336.10
Disposals	-	(92.78)	(9,994.28)	(201.78)	(319.17)	-	(327.91)	(10,935.92)
Transfers	-	1,524.83	296.20	201.47	0.30	5,701.86	(7,724.66)	-
Cost, end of year	145,053.23	255,042.14	187,568.71	298,506.39	402,484.82	579,315.24	8,990.02	1,876,960.74
Accum depn start of year	-	95,234.05	91,791.64	96,809.68	89,708.65	301,737.33	-	675,281.35
Deprec. Reducing bal.	-	8,015.33	9,266.91	3,899.20	4,891.82	15,847.75	-	41,921.01
Disposals	-	16.70	7,361.18	201.78	319.17	-	-	7,898.82
Accum. Deprec. end of year	-	103,232.68	93,697.37	100,507.1	94,281.27	317,585.08	-	709,303.54
Net carrying amount end of year	145,053.23	151,809.46	93,871.34	197,999.29	308,200.55	261,730.16	8,990.80	1,167,657.20
Depreciation calculation								
NBV		159,808.09	95,777.08	201,696.72	312,775.57	277,577.92	8,990.80	1,201,679.41
% applied		5.0156	9.6755	1.9332	1.5640	5.7093	-	
Charge for the year		8,015.38	9,266.92	3,899.18	4,891.78	15,847.65	-	41,920.92

Working 2

Calculation of profit or loss on disposal (Amounts in Shs 'million')

	Buildings	Machinery, equipment and vehicles	Water system	Sewer system	Work in progress	Totals
Disposals-cost	92.78	9,994.28	201.78	319.17	327.91	10,953.92
Accumulated depreciation	16.70	7,361.18	201.78	319.17	-	7,898.82
NBV	76.08	2,633.10	-	-	327.91	3,037.09
Proceeds from disposal	53.11	212.43	-	-	182.94	448.47
Profit/ (loss) on	22.98	2,420.68	-	-	144.97	2,588.62

disposal						
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Working 3:

Inventory

	Shs 'million'
Inventory adjustment	
Bal. b/forward	300.99
Cash	1.37
C/d as per question	299.35
NKK inventory omitted	0.27
	300.99

(iii)

Rights that individually or in combination, give an entity power over another entity:

Rights to give policy directions to the governing body of another entity that give the holder the ability to direct the relevant activities of the other entity.

Rights in form of voting rights (or potential voting rights) of another entity.

Rights to appoint, re-assign, or remove members of another entity's key management personnel who have the ability to direct the relevant activities.

Rights to appoint or remove another entity that directs the relevant activities.

Rights to approve or veto operating and capital budgets relating to the relevant activities of another entity.

Rights to direct the other entity to enter into, or veto any changes to transactions for the benefit of the entity.

Rights to veto key changes to the other entity, such as sale of a major asset or of the other entity as a whole.

Other rights (such as decision making rights specified in a management contract) that give the holder the ability to direct the relevant activities.

(b)

(i) Guidelines on materiality and aggregation as per IPSAS 1:

Materiality—Information is material if its omission or misstatement could influence the discharge of accountability by the entity, or the decisions that users make on the basis of the entity's general purpose financial reports prepared for that reporting period.

Materiality depends on both the nature and amount of the item judged in the particular circumstances of each entity. Assessments of materiality will be made in the context of the legislative, institutional and operating environment within which the entity operates and, in respect of prospective financial and non-financial information, the preparers' knowledge and expectations about the future.

Each material class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall be presented separately, unless they are immaterial.

While preparing financial statements, aggregation and classification results into presentation of condensed and classified data, which form line items on the face of financial statements and in the notes. If a line item is not individually material, it is aggregated with other items either on the face of those statements or in the notes.

(ii) Consistence of presentation:

The presentation and classification of items in the financial statements shall be retained from one period to the next unless—

It is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in IPSAS 3—Accounting Policies, Changes in Estimates and Errors.

For instance, a significant acquisition or disposal, or a review of the presentation of the financial statements might suggest that the financial statements need to be presented differently.

An IPSAS requires a change in presentation.

Solution 2:

(a)

(i) Techniques that are used by public sector entities in contract cost control and management:

- Lump sum contract: A lump sum contract may be used where the content, duration and outputs of the procurement are well defined. It shall include fixed price determined in accordance with these Regulations; it shall also include interim or stage payments. Payment for a lump sum contract shall be linked to clearly specified outputs or deliverables which include deliveries of supplies evidenced

by the appropriate delivery documentation; reports; drawings; bills of quantities; activity schedules; and any other outputs or deliverables appropriate to a contract.

- Time-based contract. This contract may be used where the scope and duration of the procurement requirement is difficult to define.

Payment for a time-based contract shall be based on agreed hourly, daily, weekly or monthly fees for nominated personnel or a certain type or grade of personnel and reimbursable items using actual expenses or agreed unit prices. A time-based contract shall include a maximum amount of total payments to be made including any contingency allowance for unforeseen work and duration. A time-based contract shall include interim or stage payments.

- Admeasurement contract. This involves use of a unit rate and bill of quantities contract where works are not well defined; are likely to change in quantity or specifications; or where difficult or unforeseen site conditions, such as hidden foundation problems are likely. Under an admeasurement contract, works shall be split into various items and the quantity of each item needed to complete the assignment shall be estimated and indicated in the bidding document.

A bidder shall price each work item by indicating a unit rate for each item in the bill of quantities.

The initial total contract price shall be calculated by multiplying the unit rate by the estimated quantity to give a total for each item, and then calculating the sum of the line item totals.

The actual work done shall be measured during the performance of the contract and shall be finally reconciled upon completion of the contract.

Payment shall be made for the actual quantity of work performed. An admeasurement contract shall include fixed prices or price adjustment. An admeasurement contract shall include interim or stage payments.

- Framework contract. A framework contract is a schedule of rates or an indefinite delivery contract and may be used; where a requirement is needed 'on call' but where the quantity and timing of the requirement cannot be defined in advance; or to reduce procurement costs or lead times for a requirement which is needed repeatedly or continuously over a period of time by having them available on a 'call off' basis.

Under a framework contract, a bidder shall indicate the unit rate for each item. A procuring and disposing entity shall indicate the estimated quantity or value of procurement where this is possible or necessary to obtain competitive bids, but shall not make a commitment to purchase the full quantity or value.

A procuring and disposing entity shall make a commitment to purchase a minimum quantity or value or to purchase all similar requirements from a successful bidder, where this is necessary or preferable in order to obtain competitive prices.

A framework contract shall state the arrangements for obtaining specific requirements during the period of the contract, using placement of "call-off" or delivery orders, where appropriate.

Payment shall be made on the basis of the works, services or supplies actually delivered or performed. A framework contract shall include fixed prices or price adjustment.

- Percentage based contract. This may be used where it is appropriate to relate the fee paid directly to the estimated or actual cost of the subject of the contract. A percentage based contract shall clearly define the total cost from which the percentage is to be calculated. A bidder shall be required to indicate the fee rate as a percentage of the total cost of the procurement requirement.

A percentage contract shall include;- a fixed target cost; the minimum or maximum fees; sliding scales of the fees related to the value of the subject of the contract; or incentive fees related to any savings made through economic design, discounts obtained, cost reductions or similar fees.

- Cost reimbursable contract. This may be used for; emergence work where there is insufficient time to calculate fully the costs involved; or high risk works where it is more economical for the procuring and disposing entity to bear the risk of price variations than to pay a provider to accept the risk or where the provider does not accept the risk. Under a cost reimbursable contract, a procuring and disposing entity shall pay a provider; - for the actual cost of the works, evidenced by receipts and other appropriate documentation; and a fee or profit to be agreed upon and specified in the contract.
- Target price contract. This can be used instead of a cost reimbursable contract where a target price can be agreed and cost savings may be achieved by offering an incentive payment to the provider for any cost savings below the target price. Under a target price contract, a procuring and disposing entity shall pay the provider for the actual cost of the works, evidenced by receipts and other appropriate documentation and a fee, profit or agreed percentage of any cost savings below the target price.
- Retainer contract. This may be used to retain a provider to provide services over a prescribed period of time without defining the level and actual amounts of services required.

Payment for a retainer contract shall include a flat fee which represents the total payment due, irrespective of the level and amount of services provided during the prescribed period; or as a retainer for the prescribed period plus a pre-agreed unit rate for services provided.

- Success fee contract. This may be used to link the fees of a provider to an achieved objective to provide an incentive to the successful completion of a particular task, event or action.

Payment for a success fee contract shall be a;- pre-agreed amount linked to the successful completion of a target or event; percentage of a predetermined amount or proceeds; or a basic flat rate, which is not linked to the successful completion of a particular task, event or action.

A success fee contract shall describe the nature of the success to which a success fee shall be applicable and the timescale in which the task, event or action shall be achieved.

(ii) Challenges faced in contract management that originate from the procurement and disposal entity:

- Inadequate specifications and variations. A poor provider may be procured or poor deliverables may be provided where the specifications are not done right. Secondly, without vigilance on the past performance of a provider, then the process results in a provider who either has no competence or does not have the financial muscle to execute a contract. Inadequate specifications will result into poor deliverables or several variations that are time consuming and result in contract delays and higher costs.
- Poor contract administration. This results in failure to achieve timely execution of contracts and attainment of intended objectives, poor deliverables, increased contract administration costs and time, delayed payments, timely correction of defects and dispute resolution. This manifests in form of excessive and uncontrolled power given to contract managers to decide contracting matters; failure to recommend to PPDA to formally blacklist firms that produce shoddy works; failure to handle administrative review applications at entity level and instead, informally blacklist the complainants basing on personal differences; failure by contract managers to prepare and execute contract implementation plan and poor record keeping.
- Delays in payments. This arises out of delayed funding to the PDEs from the finance ministry. When a contract is signed, the parties undertake to pay based upon certain deliverables and time. But when the releases are delayed, then payments will also delay affecting the contract management processes. At times, there is no provision for

part completion certificates. This means that clients will request for certificates of completed works yet some parts of the works are already under use by the beneficiaries. In such situations, the PDE is under immense pressure from the providers to meet their obligations and sometimes constrains the relationship between the parties.

- Delays in inspection. The delays are at times a result of inadequate financial and human resources to undertake the activities. The PDE would be heavily constrained to monitor and inspect the provider without sufficient resources. Delayed or inadequate inspection/ supervision results into contract management delays and shoddy or poor work from the providers. Where the providers are able to work without anyone supervising them, they will get away with poor work. Secondly, delayed inspection implies that the provider will not be given timely feedback which may result in delayed rectification of defects and delayed payments.
- Lengthy procurement process. The procurement process from bid submission to contract award is lengthy. Sufficient time and planning is necessary for timely execution of the procurements. Secondly, most contracts are referred to as small or short period and therefore do not allow for price escalation though eventually they turn out to be, and worse still, no adjustments are allowed in such cases. Thirdly, contract committees' approval process of variations is also lengthy. All these complicate the contract management process.
- Contract method (complexity). The ease or difficulty of managing a contract is dependent on its simplicity or complexity. A contract should clearly spell out its type; obligations of parties; payment terms – method, structure, currency, documents, period, risk, price adjustment clause; dispute settlement clause; time frame/ schedule for the execution of the services/ works; supervision arrangements in place; roles of a contract manager/ supervisor; variations and change orders; contract amendments; emergencies and termination of contracts. It should also be fair and equitable to all parties. The entities are faced with challenges of designing contracts that take care of all the necessary concerns without being complex and many times, achieving this balance is rather difficult. Where the contract method is complex then challenges of ensuring the above become real.
- Disputes. In any contract, management relationship disputes may arise which need to be settled without hampering the progress of contract execution. Whereas the contract and procurement guidelines provide a mechanism for dispute resolution, the practice is that the process is tedious, lengthy and could also be too costly and damaging. Entities are encouraged to ensure that disputes are resolved amicably within the guidelines but without injuring the parties, contract progress and in a timely manner.

(b)

- A Public Officer or any member of his or her family shall not solicit or accept valuable gifts, presents, hospitality gratuity or favor or other benefits, if he or she has reason to believe that the acceptance of such gifts, presents and other benefits is bound to influence his or her judgment or action in a matter he or she is dealing with or will handle in future.
- A Public Officer shall not give such gifts to influence the judgement or action of another person in his or her favors.
- A Public Officer who, in the course of discharging his or her duties, receives any gifts or other benefits of a value of five currency points or above from any one source shall disclose that gift or benefit to government and shall be treated as a gift or donation or commission to Government.
- A Public Officer may accept or give a gift if the gift is in the nature of a souvenir or ornament and does not exceed five currency points in value.
- A Public officer may accept personal gift or donation from a relative or personal friend for such an extent and on such occasion as is recognized by custom.
- A Public Officer who in his or her personal or official capacity, demands, accepts or gives any bribe or is an agent of any person who intends to influence him or her or another officer is in breach of this Code.
- A member of the public who corruptly gives promises or offers any gift or present or reward or gratuity (tips) to any Public Officer as an inducement is guilty of a misdemeanor and shall be dealt with in accordance with the laws of Uganda.

Solution 3

(a)

- (i) The relevant IPSASs are IPSAS 17–Property, Plant and Equipment and IPSAS 21–Impairment of Non-cash Generating Assets since the department does not exist primarily to make profits- the department exists to offer service support to other MDAs.

In the scenario given, there is an indicator of impairment of the non-current asset/ non-cash generating asset evidenced by internal reporting that the production levels of the department's machine have dropped to 65% of the expected annual output levels. This calls for impairment testing. Circumstances suggest that the decline in the service potential of the asset is significant and of a long term nature. The head of finance has to carry out an impairment evaluation and recognize the resulting impairment losses by DR Surplus/ Deficit (Impairment losses) and CR PPE/ Flexographic machine A/C.

Calculation of impairment loss using service units approach

	Shs '000'
Acquisition cost	126,000
Accumulated depreciation	
$((126,000/30) \times (2020-2009))$	46,200
Carrying amount- 2020	79,800
Replacement cost	96,000
Accumulated depreciation	
$((96,000/30) \times (2020-2009))$	35,200
Depreciated replacement cost	60,800
Recoverable service amount	
65% x 60,800	39,520
Impairment loss	40,280

(ii)

- Resurgence of the demand or need for services provided by the asset.
- Significant long term changes with a favorable effect on the entity have taken place during the period, or will take place in the near future, in the technological, legal or government policy environment in which the entity operates.
- Significant long term changes with a favourable effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which the asset is used or is expected to be used. These changes include costs incurred during the period to improve or enhance an assets performance or restructure the operation to which the asset belongs.
- A decision to resume construction of the asset that was previously halted before it was completed or in a suitable condition.
- Evidence is available from internal reporting that indicates that the service performance of the asset is, or will be, significantly better than expected.
- A significant rise in the assets market value.
- A significant long term increase in demand or need for services provided by the asset.

(b) Extracts from the statement of financial performance and statement of changes in equity for MOIP:

MOIP- Statement of Financial Performance			
	2020	2019	
	Shs	Shs	Shs

Rental fees	28,980,000	32,520,000	
Digital data transfer		14,500,000	
Miscellaneous revenues	13,020,000 (Balancing fig.)	4,456,000	
Total revenue	42,000,000	51,476,000	
Expenses	9,700,000	14,000,000	
Surplus	32,300,000	37,476,000	
MOIP- Statement of Changes In Equity			
	Contributed capital	Accumulated Surplus	Total
Balance at 30.06.2018	50,000,000	6,000,000	56,000,000
Surplus for the year ended			
June 30 2019 as restated		37,476,000	37,476,000
Balance at 30.06.2019	50,000,000	43,476,000	93,476,000
Surplus for the year ended			
30.06.2020		32,300,000	32,300,000
Balance at 30.06.2020	50,000,000	75,776,000	125,776,000

Solution 4

(a) Strengths and weaknesses of the cash basis of accounting:

The cash basis of accounting recognises transactions and events only when cash (including cash equivalents) is received or paid by an entity. Cash comprises cash on hand, demand deposits and cash equivalents (short-term, highly liquid investments that are readily convertible to known amounts of cash)

Strengths:

- Provides information on the inflow of revenue expenditures, capital expenditures and transfer expenditures. This provides more useful and meaningful information for public policy decision-making.
- Facilitates parliamentary control over public expenditure especially where the budget and actual amounts are on a comparable basis.
- Simple and easy to understand and record. There is no subjectivity as only cash flows are considered.
- It is preferred for insignificant amounts of accrual transactions and where the time lag between the initiation of the transaction and the cash flow is very short.

- Provides for automatic bad debt relief and defers the tax burden as revenue is not recorded until cash is received from the tax payer and is highly preferred for tax purposes.

Weaknesses:

- Lacks information on other stock such as fixed assets and long-term debts and the potential impact and burden that the ongoing fiscal management might bring in the future as it focuses on only cash that represents just on item of assets.
- Public sector entities may lose track of the deferred taxes and end up losing revenue thereby negatively impacting on the level of service delivery.
- Does not provide a true and fair view of the financial performance and position of an entity. It understates the revenues, expense, assets and liabilities.
- Provides flexibility to record items of a similar nature differently between time periods and therefore easy to manipulate.
- Not comprehensive and generally acceptable for entities that must make their financial statements publicly available. The international accounting standards require such entities to comply with the accrual basis of accounting.

(b)

Establishment of the Contingencies Fund:

- There is established a Contingencies Fund which shall, every financial year, be replenished with an amount equivalent to 0.5 percent of the appropriated annual budget (excludes supplementary budget) of Government of the previous financial year.
- The Contingencies Fund shall form part of the annual budget and Parliament may, in addition to the amount under subsection (1), appropriate such other money as it may deem necessary.
- The Contingencies Fund shall be used to provide funding for and to respond to natural disasters.

Accounting/ reporting requirements for the Contingencies Fund:

- The Minister (Minister of finance) shall, by the end of February and October of each financial year, make a report to Parliament on the Contingencies Fund
- A report made under section (1) above shall indicate:
 - (a) The date of withdrawal of money from the Contingencies Fund;
 - (b) The amount withdrawn;
 - (c) The vote that received the funds;
 - (d) The purpose of the expenditure; and
 - (e) An explanation confirming that the withdrawal complies with the requirements of this Part.
- The Accountant General shall, for every financial year, prepare and submit to the Auditor-General, the accounts of the Contingencies Fund.

- The Auditor General, shall in accordance with the National Audit Act, make a report to Parliament on the accounts of the Contingencies Fund.
- (c) Withdrawals and end of financial year guidelines for the Contingencies Fund:
- The Contingencies Fund shall be administered by the Minister. The Minister shall by warrant addressed to the Accountant General, authorize a withdrawal from the Contingencies Fund.
 - A direct charge shall not be made on the Contingencies Fund except where the charge is for a transfer of money from the Contingencies Fund to another vote for the purposes of responding to natural disasters.
 - An appropriation to the Contingencies Fund shall expire and cease to have any effect at the close of the financial year for which it is made.
 - Any balance of any money that is withdrawn from the Contingencies Fund that is not committed by the close of a financial year, shall be repaid into the Contingencies Fund by 31st of July.

Solution 5

- (a)
- (i) Responsibilities of the Accountant General as stipulated in the PFM Act:
Subject to the PFM Act, the Accountant-General shall be responsible for—
- The compilation and management of the accounts of votes;
 - The custody and safety of public money;
 - The resources of Government;
 - The custody of all government certificates of titles for investments; and;
 - The maintenance of a register of government investments.
- (ii) Duties of the Accountant General for each Government of Uganda vote:
The Accountant General shall, for every vote—
- Specify the basis for the accounting to be adopted and the classification system to be used;
 - Ensure that an appropriate system of accounting is established which ensures that all money received is promptly and properly brought to account;
 - Ensure that the system of internal control is appropriate to the needs of the vote and that as far as is practicable, the system conforms to international standards;
 - Disallow payment of funds against a voucher or electronic request for funds, which is wrong or deficient in content or which contravenes any law for the management of public money or which is unacceptable in support of a charge on public funds;

- Report, in writing, to the Secretary to the Treasury, any apparent defect in the management of revenue, expenditure, cash or assets and any breach or non-observance of a law that comes to his or her notice or is brought to his or her notice;
- Ensure, as far as practicable, that adequate provisions exist for the safe custody of public money, securities, valuable documents and information; and
- Take precautions against fraud, embezzlement and mismanagement of public funds, by carrying out inspections of the votes.

(b)

(i) Features of the general ledger

- A general ledger shall be a binder, file book or computer print outs that contain several ledger accounts for recording financial transactions.
- General ledger accounts comprise two major parts – the debit and the credit sides
- The debit side of an account normally records increases in assets, expenditure and losses.
- The credit side records increases in liabilities, incomes, revenue, gains and reserves. It also records reduction in assets, losses and expenditure.

(ii)

Modified accrual basis of accounting recognizes an economic transaction or event as revenue in the operating statement when the revenue is both measurable and available to liquidate liabilities of the current period.

Available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Similarly, expenditures are generally recognized when an event or transaction is expected to draw on current spendable resources.

The principles of modified accrual basis are applied in the public sector in execution of the budget to avoid:

- Budget overruns, and
- Accumulation of arrears, by reserving budget funds at the time an obligation is entered into by the entity and not when the payment is made or an expense is incurred.

The principles form the basis for commitment accounting which is widely used in the public sector to reduce budget overruns and creation of arrears.

ANSWER TO TEST PAPER 13

CPA (U) JUNE 2022

Solution 1

(a)

- (i) Kasaaka Municipal Council (KMC): Statement of financial performance for the year ended 30 June 2020:

Details	Notes	Shs '000'	Shs '000'
Revenue:			
Property rates		32,140	
Land fees		119,600	
Local hotel tax		73,480	
Local service tax		112,300	
Transfers from central Government		4,570,986	
Transfers from other Government units		2,400,000	
Gain on disposal	W 1	1,380	
Total revenue			7,309,886
Expenses:			
Administration		42,080	
Finance		98,500	
Production		156,400	
Health		2,359,870	
Allowances		38,450	
Education		3,495,700	
Works		820,900	
Internal audit		32,100	
Loss on valuation of biological assets	W 2	10,610	
Loss on valuation of inventory	W 5	20,900	
Loan interest	W 4	45,000	
Depreciation:			
Motor vehicles	W 1	12,128	
Buildings		144,140	
Equipment		61,970	
Total expenses			7,338,748
Surplus of expenditure over revenue			-28,862

(ii) Kasaaka Municipal Council (KMC): Statement of financial position as at 30 June 2020

	Notes	Shs '000'
Assets		
Biological assets	W 2	572,531
Cash and bank	W 3	27,500
Motor vehicles	W 1	109,152
Buildings		431,560
Equipment		557,730
Inventory	W 5	104,000
Borrowing costs capitalised	W 4	45,000
Total assets		<u>1,847,473</u>
Liabilities and equity:		
Loan	W 4	636,000
Net worth (1,240,335+(28,862))		1,211,473
		<u>1,847,473</u>

Workings:

W 1

Disposal (Computation of accumulated depreciation)

	Shs	Year
Cost	40,000,000	
Depreciation	4,000,000	1
	36,000,000	
Depreciation	3,600,000	2
	32,400,000	
Depreciation	3,240,000	3
	29,160,000	
Depreciation	2,916,000	4
	26,244,000	
Depreciation	2,624,400	5
Accumulated depreciation for disposal	16,380,400	
Cost	40,000,000	
Value	23,619,600	
Gain on disposal	1,380,400	
Remaining MVS		

cost	230,900
Disposal	40,000
Cost after disposal	190,900
Depreciation	86,000
Disposal	16,380
Balance	69,620
NBV 1 July 2019	121,280
Depreciation	12,128
	109,152
	144,140
	28,828
	619,700
	61,970

W 2

Valuation of biological assets

	Shs	
	1,512,520,000	2019
Value at beginning of year	583,141,936	
	1,350,000,000	2020
Value at year end	572,531,785	
		-10,610,151
Loss at valuation	10,610,151	

W3

Cash and bank	Shs '000'
balance b/d	56,500
Add: Disposal proceeds	25,000
	81,500
Less payment of loan costs	54,000
Bank balance at end	27,500

W 4

	Shs '000'
Loan	600,000
Interest	90,000
Capitalised	45,000

Expensed	(45,000)
Paid	(54,000)
Balance	636,000

W 5

Valuation of inventories	
	Shs '000'
Cost of inventory	124,900
Less expired inventory	44,900
	80,000
Valuation of expired Stock	
Initial cost	44,900
NRV	26,000
Less cost of delivery	2,000
	24,000
Loss in valuation	20,900
Balance of stock	104,000

(iii) Budget information presentation in accordance with IPSAS 24–Presentation of Budget Information in Financial Statements

Deatails	Budget	Actual	Variance
	Shs '000'	Shs '000'	Shs '000'
Revenue:			
Property rates	46,000	32,140	13,860
Land fees	120,000	119,600	400
Local hotel tax	83,400	73,480	9,920
Local service tax	130,000	112,300	17,700
Transfers from Central Government	5,000,000	4,570,986	429,014
Transfers from other Government units	2,500,000	2,400,000	100,000
Other revenue	5,600	0	5,600
Total revenue	7,885,000		
Expenses:			
Administration	50,000	42,080	7,920
Finance	120,000	98,500	21,500
Production	170,000	156,400	13,600
Health	2,670,000	2,359,870	310,130
Allowances	52,000	38,450	13,550
Education	3,600,000	3,495,700	104,300
Works	980,000	820,900	159,100

Internal audit	45,000	32,100	12,900
Other expenses	<u>198,000</u>	45,000	153,000
Total expenditure	7,885,000		

- (iv) Disclosure requirements under IPSAS 20–Related Party Disclosures
 - ✓ Disclosure of control;
 - ✓ Disclosure of related party transactions;
 - ✓ Key management personnel.
- (b) Aspects covered the Local Governments Act and Financial and Accounting Regulations:
 - ✓ Financial administration and control of public resources;
 - ✓ Budgeting;
 - ✓ Revenue collection and management;
 - ✓ Payments;
 - ✓ Accounting and controls;
 - ✓ Treasury management;
 - ✓ Asset management;
 - ✓ Risk management;
 - ✓ Offences and penalties in case of breach of the Regulations.

Solution 2

- (a) The challenges faced by the procuring and disposing entity (PDE) in contract management:
 - ✓ Inadequate specifications and variations. When not done right ,a poor provider or deliverable may be provided;
 - ✓ Poor contract administration. This results into failure to achieve timely execution of contracts;
 - ✓ Delays in payments due to the delay in funding of PDEs;
 - ✓ Delays in inspection due to the inadequate financial and human resources;
 - ✓ Lengthy procurement process;
 - ✓ Complexity of the contract method;
 - ✓ Disputes that hamper the progress of the contract execution.
- (b) Advice on:
 - (i) Composition of the Contracts Committee.
 - ✓ A Contracts Committee shall be composed of the following members
 - (a) a chairperson;
 - (b) a secretary; and
 - (c) a maximum of three other members appointed by the Accounting Officer, one of whom shall be a lawyer.

- ✓ The following officers of a procuring and disposal entity are not eligible for nomination to the Contracts Committee of that procuring and disposal entity—
 - (a) the head of the procurement and disposal unit;
 - (b) the head of the finance department;
 - (c) The staff of the department of internal audit.
 - ✓ The head of the procurement and disposal unit shall attend the meetings of the Contracts Committee to offer clarification on any submissions to be considered by the Contracts Committee.
 - ✓ A Contracts Committee may co-opt advisers to assist it in the discharge of its functions.
 - ✓ The Accounting Officer shall inform the Authority of the composition of the Contracts Committee and the qualifications of its members not later than fourteen days from the date of its appointment.
 - ✓ Members of the Contracts Committee shall be appointed with regard to their technical competence and skills required for the discharge of the functions of the Contracts Committee.
 - ✓ The tenure of the members of the Contracts Committee shall be three years and a member may be re-appointed for only one further term.
 - ✓ Where the Secretary to the Treasury is satisfied that it is not practicable to apply subsection (6), the Secretary to the Treasury shall exempt the concerned procuring and disposing entity from the application of the subsection.
- (ii) Functions of the Contracts Committee.
- ✓ Adjudication of recommendations from the Procurement and Disposal Unit and award of contracts;
 - ✓ Approving the Evaluation Committee;
 - ✓ Approving negotiation teams;
 - ✓ Ensuring that before it is approved, a procurement is in accordance with the procurement plan;
 - ✓ Approving bidding and contract documents;
 - ✓ Assessing and verifying the public assets identified by a user department or by the Board of Surveys for disposal;
 - ✓ Approving the reserve price for the public assets to be disposed of;
 - ✓ Approving procurement and disposal procedures and ensuring that best practices in relation to procurement and disposal are strictly adhered to by procuring and disposing entities;
 - ✓ Ensuring compliance with the Act;
 - ✓ Liaising directly with the Authority on matters within its jurisdiction.

- (iii) How to handle disagreements between the PDU and Contracts Committee:
 - ✓ Where a Contracts Committee disagrees with the recommendations of a Procurement and Disposal Unit, it may—
 - Return the submission to the Procurement and Disposal Unit for review, giving written reasons for its disagreement; or
 - Request for independent advice from the Authority.
 - ✓ Where a Procurement and Disposal Unit disagrees with the views of the Contracts Committee on its recommendations under subsection (1), it may request for independent advice from the Authority.
 - ✓ A party seeking for advice from the Authority under subsections (1) and (2) shall state in writing the reasons for its disagreement.
- (iv) Circumstances under which pre-qualification may be used as method of procurement:
 - ✓ The works, services or supplies are highly complex, specialized or require detailed design methodology;
 - ✓ The costs of preparing a detailed bid would discourage competition;
 - ✓ The evaluation is particularly detailed and the evaluation of a large number of bids would require excessive time and resources from a procuring and disposing entity.

Solution 3

- (a) The financial statements that heads of department are required to produce and submit to the Head Finance.
 - ✓ Financial statement for all recurrent and development revenues and expenditures of the departments;
 - ✓ Bank reconciliation statements and supporting copies of bank statements for the department;
 - ✓ Descriptive monthly progress report and key departmental output performance report.
- (b)
 - (i) Requirements for responses to natural disasters that can be funded from the Contingencies Fund as per the PFM Act 2015 as amended:
 - ✓ The money in the Contingencies Fund may be used to evacuate a Ugandan Citizen who is affected by a natural disaster that occurs outside Uganda;
 - ✓ A financial donation or donation in kind made towards responding to a disaster shall be declared by the Minister within 30 days of receipt;
 - ✓ Natural disaster means an event that causes severe human suffering or material, economic or environmental damage and which results in or is likely to result in the loss of essential services required to meet basic human needs and which cannot be responded to with resources available from the annual budget or other sources of funds; and

- ✓ Creates compelling need for funding that is in public interest.
- (ii) Advantages of DMFAS in public financial management:
- ✓ Increases availability of information on debt management and contributes to better policy making in regard to external debt strategy formulation;
 - ✓ Facilitates governments to improve on their capacity to manage debt;
 - ✓ It provides proven solutions for improving capacity to handle management of public liabilities and produce reliable debt data for policy making purposes;
 - ✓ It is a crucial building block for debt analysis, strategy and sustainability;
 - ✓ It offers powerful analytical and managerial tools for portfolio analysis and reporting;
 - ✓ Creates and updates estimated disbursements automatically;
 - ✓ It is designed to help countries manage their external and domestic public debt. DMFAS manages debt obligations such as government debts, government-guaranteed debts, etc.;
 - ✓ Produces a wide range of standard and customized reports, including reports for validation, control and statistical bulletins.
- (c) The circumstances under which leaders are in breach of the Leadership Code of Conduct in regards to written declaration of income, assets and liabilities:
- ✓ Delayed submission by thirty days after the recommended period without justifiable cause;
 - ✓ Where they are found to be in possession of assets and income disproportionate to the known source of income which they cannot satisfactorily account for;
 - ✓ Where they fail without reasonable cause to submit a declaration.

Solution 4

(a)

Relevant: IPSAS 4–The Effects of Changes in Foreign Exchange Rates

Details	Amount (USD)	Exchange rate	Amount in Uganda Shillings
Statement of financial performance (Extract)			
Revenue	450,000	3,500	1,575,000,000
Loss on exchange			

2nd payment due to delay in payment	200,000	100	20,000,000
Recognition of creditors	200,000	20	4,000,000

Statement of financial position (Extract)			
Assets (carriage vans)	600,000	3,550	2,130,000,000
Creditors			
Royal Vanzateen	200,000	3,570	714,000,000

- (b) The disclosures made in respect to the General Government Sector:
- ✓ Assets by major class, showing separately the investment in other sectors;
 - ✓ Liabilities by major class;
 - ✓ Net assets/ equity;
 - ✓ Total revaluation increments and decrements and other items of revenue and expense recognized directly in net assets/ equity;
 - ✓ Revenue by major class;
 - ✓ Expenses by major class;
 - ✓ Surplus or deficit;
 - ✓ Cash flows from operating activities by major class;
 - ✓ Cash flows from investing activities;
 - ✓ Cash flows from financing activities.
- (c) Guiding principles on accounting treatment of revenue from interest, dividends and royalties in accordance with IPSAS 9–Revenue from Exchange Transactions:
- ✓ Interest should be recognized on a time proportion basis that takes into account the effective yield on the asset;
 - ✓ Royalties should be recognized as they are earned in accordance with the substance of the relevant agreement;
 - ✓ Dividends or their equivalents should be recognized when the shareholder's or the entity's right to receive payment is established.

- (d) Journal entries for the initial recognition of the loan facility and subsequent treatment of the transaction in accordance with IPSAS 23–Revenue from Non-Exchange Transactions

On recognition:

	Shs '000'
Dr: Bank	6,000,000
Cr: Loan facility	5,346,360
Cr: Non-exchange revenue	653,640

Discounting contractual cash flows				
	Year 1	Year 2	Year 3	Year 4
	Shs '000'	Shs '000'	Shs '000'	Shs '000'
Capital balance	6,000,000	5,400,000	4,200,000	1,800,000
Capital paid	600,000	1,200,000	2,400,000	1,800,000
Interest payable (10%)	600,000	540,000	420,000	180,000
Total payments (K+I)	1,200,000	1,740,000	2,820,000	1,980,000
Present values of 15%	0.869	0.756	0.658	0.572
	1,042,800	1,315,440	1,855,560	1,132,560
Total present value of payments				5,346,360
Non-exchange revenue				653,640
Contractual payments				
	Year 1	Year 2	Year 3	Year 4
Capital	6,000,000	5,400,000	4,200,000	1,800,000
Interest 10%	600,000	540,000	420,000	180,000
Total payments (K+I)	1,200,000	1,740,000	2,820,000	1,980,000
Balance	5,400,000	4,200,000	1,800,000	0
Journal entries				
	Year 1	Year 2	Year 3	Year 4
Dr : Interest	600,000	540,000	420,000	180,000
Cr: Bank	1,200,000	1,740,000	2,820,000	1,980,000

Solution 5

(a) Purpose of the Local Government Budget Framework Paper as per the Local Governments Financial and Accounting Manual, 2007:

- ✓ To give a profile of the local Government;
- ✓ To show previous financial year's revenue performance against the revenue budget estimates and revenue projections for the next three years, thus enabling comparisons;
- ✓ To show sector performance in previous financial years measured against set performance targets;
- ✓ To provide indicative allocations and sector objectives and performance targets for the next three years;
- ✓ To show sector un-funded priorities and reallocations of funding;
- ✓ To provide the draft annual work plan and budget estimates;
- ✓ To provide information and monitoring tool for central Government to ensure that national priorities are being adhered to;
- ✓ Overall, the Local Government Budget Framework Paper, if properly prepared and used, provides the decision makers in the local government (Councilors)

with the information required to make the decisions that link up inputs and intended activities;

- ✓ To guides Councilors through the prioritization process during the budget conference.

(b) The key institutions that prescribe the Central Government Institutional Framework as provided for by the PFM Act, 2015:

- ✓ Parliament of Uganda;
- ✓ Parliament Public Accountability Committees;
- ✓ Minister in Charge of Finance;
- ✓ Secretary to Treasury;
- ✓ Accountant General;
- ✓ Accounting Officers.

(c)

(i) The difference between accrual and modified cash bases of accounting:

According to accrual basis of accounting, revenues are recorded when earned and realized and expenses are recorded when they are incurred.

Whereas;

According to modified cash basis of accounting, revenues are recorded when received and expenses, when they have been paid for.

(ii) Powers of the Council:

- ✓ Exercises all political and executive powers and functions;
- ✓ Protects the Constitution and other laws of Uganda and promote democratic and governance;
- ✓ Urban councils shall have autonomy over their planning and financial management when carrying out the functions and services specified under Part 3 of the Second Schedule to the Local Governments Act.

Functions of the Council:

- ✓ Provides services as it deems fit with the exception of the functions, powers and services listed under Part 1 of the Second Schedule to the Local Governments Act;
- ✓ Ensures the implementation and compliance with Government policies.

(iii) Mitemula Town Council: Statement of revenues collected (based on source of revenue)

Details	Budget 2021 Shs '000'	Amounts Collected 2021 Shs '000'	Variance Shs '000'
Local service tax	14,000	13,000	1,000
Land fees	15,000	9,870	5,130
Business licenses	84,000	79,800	4,200
Local hotel tax	32,750	15,600	17,150
Other tax revenues	6,980	970	6,010
Investment income	16,970	3,670	13,300
Property rates	83,145	60,790	22,355
Fines	8,970	1,290	7,680
Total	261,815	207,784	76,825

ANSWERS TO TEST PAPER 14

CPA (U) SEPTEMBER 2022

SECTION A

Solution 1:

(a) Matala Municipal Council's:

(i) Journals to record the adjustments to be made in the financial statements:

1. Dr: Staff advances: Shs 65,700,000
Dr: Travel abroad: Shs 262,800,000
Dr: Payables: Shs 918,200,000
Cr: Other Staff Costs: Shs 1,246,700,000

Alternatively:

Dr Staff advances: Shs 65,700,000
Dr Travel abroad: Shs 262,800,000
Cr Other staff costs: Shs 328,500,000

Dr Payables: Shs 918,200,000
Cr Other staff costs: Shs 918,200,000

2. Dr: Bad debts written off: Shs 460,000,000
Cr: Receivables (KYI) Shs 460,000,000

Dr: Receivables (Luvuule Diocese): Shs 624,000,000
Cr: Revenue from exchange transaction: 624,000,000
3. Transfer of Asset to disposal account
Dr: Disposal account: Shs 400,000,000
Cr: PPE: Shs 400,000,000
4. Transfer of accumulated depreciation to disposal account
Dr: Accumulated depreciation: Shs 295,000,000
Cr: Disposal A/C: Shs 295,000,000
5. Transfer of revaluation reserve to disposal account
Dr: Revaluation reserve: Shs 10,000,000
Cr: Disposal account: Shs 10,000,000
6. Recognition of the sale:
Dr: Bank: Shs 150,000,000
Cr: Disposal account: Shs 150,000,000

Workings:

Computation of gain on disposal

	Shs
Accumulated depreciation	295,000,000
Revaluation reserve	10,000,000
Bank	<u>150,000,000</u>
	455,000,000
Cost	(400,000,000)

Gain on disposal	55,000,000
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Recognition of gain on disposal of PPE

Dr: Disposal account: Shs 55,000,000

Cr: P or L: Shs 55,000,000

Computation of depreciation:

	Shs
PPE (Balance b/d)	6,990,400,000
Less: Disposal	(400,000,000)
Balance c/d	6,590,400,000
Depreciation at 5%	329,520,000

Dr: Depreciation expense: Shs 329,520,000

Cr: Accumulated depreciation: Shs 329,520,000

Buildings:

	Shs
Cost (Balance b/d)	18,923,700,000
Add: Capitalised borrowing costs	80,000,000
Balance c/d	<u>19,003,700,000</u>
Depreciation at 5%	950,185,000

Dr: Depreciation expense: Shs 950,185,000

Cr: Accumulated Depreciation: Shs 950,185,000

Computation of borrowing costs

	Shs	
$1,200,000,000 \times 10\% \times 8/12$	80,000,000	To be capitalised
$1,200,000,000 \times 10\% \times 4/12$	40,000,000	To be expensed

Dr: Interest expenses: Shs 40,000,000

Dr: Buildings: Shs 80,000,000

Cr: Bank: 120,000,000

Details	Original trial balance		Adjusted trial balance		
	Dr	Cr		Dr	Cr
	Shs '000'	Shs '000'		Shs '000'	Shs '000'
Transfers from other Government Agencies		18,056,000			18,056,000
Transfers from Treasury		23,000,500			23,000,500
Revenue from exchange transaction			-624,000		624,000
Staff salaries	5,973,000			5,973,000	
Medical expenses	83,900			83,900	
Pensions	478,560			478,560	
Other staff costs	1,246,700		-1,246,700	0	

Bad debts written off			460,000	460,000	
Interest expenses			40,000	40,000	
Inland Travel	512,600			512,600	
Travel abroad			262,800	262,800	
Depreciation PPE			329,520	329,520	
Depreciation: Buildings			950,185	950,185	
Land (At cost)	10,000,000			10,000,000	
Buildings (At cost)	18,923,700		80,000	19,003,700	
Plant and Equipment (At cost)	6,990,400		-379,000	6,611,400	
Plant and equipment repairs	538,400			538,400	
Fuel, oils and lubricants	378,974			378,974	
10% ADB Loan		1,200,000			1,200,000
Accumulated depreciation					
Buildings		784,000	950,185		1,734,185
Plant and equipment		326,740	34,520		361,260
Legal costs	689,420			689,420	
Donor funds		2,378,020			2,378,020
Staff advances			65,700	65,700	
Receivables	1,529,784		164,000	1,693,784	
Payables		1,468,845	918,200		550,645
Bank	609,480		30,000	639,480	
Gain on foreign exchange			21,000		21,000
Gain on disposal			55,000		55,000
Revenue reserves		690,213			690,213
Revaluation reserves		50,600	(10,000)		40,600
Total	47,954,918	47,954,918		48,711,423	48,711,423

(ii)

Statement of financial performance for the financial year ended 30 June 2019

Details	Workings	Amount	
		Shs '000'	
Income	1	44,058,520	
Expenditure	2	10,697,359	
Surplus before Adjustments		33,361,161	
Add:			
Gain on disposal		55,000	

Surplus after Adjustments		33,416,161	

(iii)

Statement of financial position as at 30 June 2019

Assets		Shs '000'	
Non-current assets			
Land		10,000,000	
Buildings		17,269,515	
PPE		6,229,140	
Total non-current assets		33,498,655	
Current assets			
Staff advances		65,700	
Receivables		1,693,784	
Bank (cash and cash equivalents)		639,480	
Total current assets		2,398,964	
Total assets		35,897,619	
Liabilities			
10% ADB Loan		1,200,000	
Payables		550,645	
Total liabilities		1,750,645	
Net assets		34,146,974	
Net worth			
Balance b/f		690,213	
Revaluation reserve		40,600	
Surplus		33,416,161	
Total net worth		34,146,974	

Workings

1	Income:	
	Details	Shs '000'
	Transfers from other Government Agencies	18,056,000
	Transfers from Treasury	23,000,500
	Revenue from exchange transaction	624,000
	Donor funds	2,378,020
	Total income	44,058,520
2	Expenditure:	
	Staff salaries	5,973,000

Medical expenses	83,900
Pensions	478,560
Bad debts written off	460,000
Interest expenses	40,000
Travels abroad	512,600
Additional costs on travels abroad	262,800
Depreciation of PPE	329,520
Depreciation of buildings	950,185
Plant and equipment repairs	538,400
Fuel, oils and lubricants	378,974
Legal costs	689,420
Total expenditure	10,697,359

(b)

- (i) Standards for preparation of financial statements as prescribed by IPSAS 1—
Presentation of Financial Statements:

Fair Presentation and Compliance with IPSASs;

Financial statements shall present fairly the financial position, financial performance, and cash flows of an entity.

Going concern assumption;

When preparing financial statements, an assessment of an entity's ability to continue as a going concern shall be made. This assessment shall be made by those responsible for the preparation of financial statements.

Consistency of presentation;

The presentation and classification of items in the financial statements shall be retained from one period to the next unless—

It is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in IPSAS 3;

Or an IPSAS requires a change in presentation.

Materiality and aggregation;

Each material class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall be presented separately, unless they are immaterial.

Offsetting;

Assets and liabilities, and revenue and expenses shall not be offset unless required or permitted by an IPSAS.

Comparative information;

Except when an IPSAS permits or requires otherwise, comparative information shall be disclosed in respect of the previous period for all amounts reported in the financial statements. Comparative information shall be included for

narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

(ii) Components of financial statements:

Statement of financial position;

Presents the entity's current and non-current assets and current and non-current liabilities as at given date.

Statement of financial performance;

Presents items of revenue and expense recognized in a period by entity.

A statement of changes in net assets/equity;

Net assets/equity is the residual interest in the assets of the entity after deducting all its liabilities. It shows the changes that have taken place over a period.

Cash flow statement;

Presents the entity's inflows and outflows of cash and cash equivalents.

Budget information for comparison purposes;

When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements.

Notes to the financial statements;

Notes, comprising a summary of significant accounting policies and other explanatory notes.

(iii) Disclosure requirement for notes to financial statements:

A statement of compliance with IPSASs;

The basis of preparation of the financial statements;

Accounting policies used;

Disclosure of the extent of use of transitional provisions;

Domicile and legal form of the entity;

Name of the controlling entity;

Going concern assumption of the entity;

Judgements made in application of IPSAS that have most significant effect on amounts recognised in the financial statements;

Nature of entity's operations;

Relevant legislations that govern the entity's operations.

SECTION B

Solution 2

(a)

(i) The role of PPDA Authority:

Ensure the application of fair, competitive, transparent, non-discriminatory, and value-for-money procurement and disposal standards and practices;

Harmonize the procurement and disposal policy systems and practices of Central Government, Local Governments, and Statutory bodies;

Set standards for the public procurement and disposal systems in Uganda;

Monitor compliance of procuring and disposing entities;

Build procurement and disposal capacity in Uganda;

Determine the prices of works, supplies and services of common use;

Perform procurement audits;

Maintain the register of providers of works, services and supplies;

Carry out administrative reviews and assessments.

(ii) Criteria for post-qualification of bids:

Experience on similar contracts in Uganda, regionally or internationally;

Performance on similar contracts in the country, region or internationally;

Capability with respect to equipment, and manufacturing or construction facilities;

Qualifications and experience of personnel;

Financial capability to perform the proposed contract;

Available capacity to undertake the assignment;

Litigation record, or

Any other relevant criteria.

(iii) Recommendation of bids under:

Quality-based selection is the evaluation methodology that recommends/ uses quality as the primary factor in a process under which a technical bid is evaluated without access to a financial bid and a financial comparison is undertaken only for the best technical bid.

Technical compliance selection is the evaluation methodology that recommends the lowest priced bid, which is substantially responsive to the commercial and technical requirements of the procuring and disposing entity.

(b)

Since the swabs are being distributed free of charge, then they should be recorded at the lower of cost and current replacement cost.

Current Replacement Cost = $200,000 \times 5,020 = \text{Shs } 1,004,000,000$.

Computation of cost using AVCO:

First shipment:

		Shs
Cost	$400,000 \times 4,000$	1,600,000,000
Transport charges		5,000,000
Insurance charges		<u>5,000,000</u>
Total cost		1,610,000,000

Second shipment:

		Shs
Cost	$400,000 \times 5,000$	2,000,000,000
Transport charges	$400,000 \times 35$	14,000,000
Insurance charges		<u>5,000,000</u>
Total cost		2,019,000,000

Total cost = $1,610,000,000 + 2,019,000,000 = \text{Shs } 3,629,000,000$

Average cost per swab = $3,629,000,000 / 800,000 = \text{Shs } 4,536.25$

Using AVCO, cost of remaining swabs (in stock) = $200,000 \times 4,536.25 = \text{Shs } 907,250,000$.

Therefore, the swabs will be recorded at Shs 907, 250,000.

Computation of cost using FIFO:

Using FIFO, all the balances are from the second shipment.

Second shipment:

		Shs
Cost	$400,000 \times 5,000$	2,000,000,000
Freight charges	$400,000 \times 35$	14,000,000
Insurance charges		<u>5,000,000</u>
Total cost		2,019,000,000

Unit cost per swab = $2,019,000,000 / 400,000 = \text{Shs } 5,047.50$.

Total cost = $200,000 \times 5,047.50 = \text{Shs } 1,009,500,000$.

Therefore, using FIFO, the swabs will be recorded at Shs 1,004,000,000 since it is lower (the current replacement cost is lower).

Solution 3

(a)

(i) Discussion of the components of IFMS:

Public Sector Budgeting Module;

This module is designed to manage the budget execution processes of Government of Uganda. It allows users to upload the appropriated budget from the program Based Budgeting tool to the IFMS. Once the budget is uploaded on the IFMS, the various budget execution stages of entry of grant of credit by the Auditor General, entry of Minister's warrant by the minister of finance, entry of cash limits by the budget directorate, initiation of accounting warrants and virement by accounting officers and approvals are supported by this module.

General Ledger Module;

The general purpose of the general ledger is to integrate all the other IFMS modules. It allows for the key set up of the 4Cs i.e. the chart of Accounts, Currency, Calendar and Accounting Convention that supports the integration of business processes of Government of Uganda.

The module functionalities include:

- Processing of manual journals;
- Posting of journals;
- Various inquiries;
- Running of financial statements.

Purchasing Module;

It is used to perform day to day procurement operations of Government. It is critical because the largest proportion of government expenditure is incurred on the procurement of goods and services.

The overall purpose of the purchasing module is to handle government procurement processes through entry of purchase requisitions, entry and management of requests for quotation, issuance of purchase orders and contract purchase agreements and to acknowledge receipt of goods and services provided to government entities.

Accounts Payables Module;

Facilitates entry of invoices and processing of payments to suppliers and employees. The Accounts payable is part of the procurement to payment cycle and is tightly integrated with the purchasing, asset and general ledgers.

It consists of two work benches, the invoice work bench and the payment work bench.

Receivables Module;

The purpose of the receivables module is to handle revenue management. It is used to recognise revenue—both taxes and non-tax revenue collected by Government.

Cash Management Module;

This module largely handles cash management and the key focus is on:

- Banking/ bank accounts;
- Receipts;
- Payments;
- Periodical reconciliations.

Fixed Assets Management

The overall purpose of the asset management module is to handle non-current asset management through useful lives of such assets.

The module enables Government entities to deal with various aspects such as maintenance of the asset register and the various accounting aspects such as recognition; measurement; depreciation; impairment; revaluation; disposal of non-current assets.

(ii) Detailed steps in implementation of IFMS:

Needs assessment;

It is a comprehensive assessment of the current institutional conditions, what is needed and can be reasonably achieved by the system. Under needs assessment, there are sub steps i.e. change management, capacity building and training and data migration.

Create a road map;

Strategic plan mapping out how to transform the needs into a coherent solution, steps involved, how to address each step and setting out clear objectives and milestones for each step of the process.

Modified tender approach;

Here, we have selection of the service provider and supply and installation of both soft and hardware.

Implementation;

Implementation team, steering committee and testing of the system.

(b) Discussing the operations of:

(i) TSA Holding Account

This account is operated by the Accountant General at Bank of Uganda. It serves two main purposes:

- Receives funds from Consolidated Fund according to approved cash limits and warrants on a needs basis and special release for supplementary funding.
- It is used to transfer funds to the TSA Sub Account to fund payments for expenditures by the Votes.

(ii) TSA Sub Account

It is funded by the TSA Holding Account instantly based on the aggregated totals of the approved invoices submitted for payment. The remaining account balances on the Sub Account equivalent to the unpaid invoices is swept back to the TSA holding Account on daily basis, leaving a zero balance.

(iii) EFT Cash Account

This is the disbursing account for cash withdrawals at Bank of Uganda (BOU). The account is funded from TSA Sub Account by Votes preparing cash withdrawals from BOU which are then processed on to the EFT cash account at BOU. The Votes will then submit cash withdrawal requests to BOU for collection of cash. At the end of the day, all the unutilised funds are swept back to the TSSA account.

(iv) Letters of Credit Transfer Account

This is also maintained by BOU for processing of funds for letters of credit. It is operated in both local and foreign currencies. It is funded by Votes preparing invoices to transfer funds from TSSA Account to TSA Letter of Credit Account and later the Letter of Credit. Opening instructions are sent to BOU in respect of the different beneficiaries. At the end of day, all the unutilised funds are swept back to the TSSA Account.

Solution 4

(a) Key stages in the budget cycle process:

Setting of macro-economic framework;

The ministry of finance is responsible for determining and assessing the key macro-economic assumptions in consultations with Uganda Revenue Authority, Bank of Uganda and other Government institutions. Revenue projections, external financing, debt servicing and domestic arrears payments projections are made.

Setting of national priorities and sector ceilings;

It includes broad allocations of government resources between sectors determined basing on priorities, party manifestos and constraints facing budget implementation. The sector ceilings form a basis for preparation of indicative Medium Term Expenditure Framework.

Political and technical budget consultations;

It is a consultative process between the political and technical teams on budget strategy, major economic developments and priorities to be addressed in the coming period and this will be communicated through first budget call circular. Under this step, we have local government workshops, first budget consultative workshop, sector working group consultations, mid-term expenditure review.

Preparation of estimates;

This starts with the preparation of the national budget framework paper, background to the budget and budget speech.

Budget approval;

This involves cabinet approval of National Budget Framework Paper, Parliamentary approval of the National Budget Framework Paper, ministerial policy statement and approval of budget estimates.

Budget execution;

The process is led by the Accountant General and involves commitment of approved budget, budget execution by accounting officers, grant of credit on consolidated fund, withdrawal from the consolidated fund, virements, supplementary budgets and reporting of the expenditure commitments.

Budget oversight;

This is institutionalised in the working of Parliament and office of the Auditor General. Parliament undertakes the budget oversight function through its oversight committees and parliamentary budget office.

(b)

(i) Appropriation:

This is an authorisation granted by a legislative body to allocate funds for purposes specified by the legislature or similar authority within limits and specified period of time.

(ii) Comparable basis-

Actual amounts presented on the same accounting and classification basis for the same entities and period as per approved budget.

(iii) Final budget

It is the original budget adjusted for all reserves, carry amounts, transfers, allocations, supplementary appropriations by other authorised legislative or similar authority applicable in the budget period.

(c) Kasaala Municipal Council's:

(i)

Statement of appropriation				
Details	Initial budget	Revised budget	Actual	Variance
	Shs '000'	Shs '000'	Shs '000'	Shs '000'
Revenue:				
Local service tax	3,050,000	3,050,000	1,474,000	1,576,000
Local hotel tax	560,000	560,000	324,400	235,600
Market fees	360,000	360,000	174,600	185,400
Property tax	126,000	126,000	54,000	72,000
Loading Fees	44,000	44,000	24,000	20,000
Government	12,462,400	12,462,400	8,946,760	3,515,640

grants				
Donor funds	32,740	602,740	586,470	16,270
Total	16,635,140	17,205,140	11,584,230	
Expenditure:				
Wages and salaries	9,315,678	9,315,678	5,892,300	3,423,378
Statutory expenses	665,406	665,406	560,400	105,006
Transport and travel	1,663,514	1,663,514	1,369,470	294,044
Fuel expenses	3,327,028	3,327,028	3,296,785	30,243
Communications	499,054	499,054	239,309	259,745
General expenses	1,164,460	1,734,460	1,547,823	186,637
Total	16,635,140	17,205,140	12,906,087	
Deficit			-1,321,857	

(ii) Statement of arrears of revenue

	Arrears of revenue 1 July 2019	Total revenue billed during the year	Actual amounts collected during the year	Cumulative arrears of revenue at 30 June 2020
	Shs '000'	Shs '000'	Shs '000'	Shs '000'
Receipts				
Local service tax		3,050,000	1,474,000	1,576,000
Local hotel tax	75,000	560,000	324,400	310,600
Market fees	75,000	360,000	174,600	260,400
Property tax		126,000	54,000	72,000
Loading fees		44,000	24,000	20,000
Totals	150,000	4,140,000	2,051,000	2,239,000

Solution 5

- (a) Possible effects of inadequate planning for cash flow management in local governments:

Bottlenecks and administrative inefficiency;

Creation of domestic arrears;

Dissatisfaction among employees, the public, contractors and suppliers;

Underutilisation of tangible (fixed) assets;

Failure to produce periodic cash flow budgets.

(b)

(i) Functions and services of the District Council:

Functions:

Aiding and supporting establishment of social amenities, for example, museum, library, etc.;

Preserving public decency and enforcing public order;

Contracting out public services to the private sector;

Selling all by-products resulting from carrying out council activities of works and services;

Promoting publicity of Council;

Promoting of health, education and other government schemes;

Registration of marriages, births and deaths;

Assisting Government in management of the environment to avoid degradation.

Services:

Education Services;

Health services;

Water services;

Road Services;

All decentralised services including HRM, planning, etc.

(ii) Eligibility of the members and composition of the District Public Accounts Committee (DPAC):

It will consist of four members appointed by the District Council on recommendation of District Executive Committee (DEC);

One member appointed by the urban authority;

A member will not be a member of the Local Government Council or administration;

The members will select a chairperson amongst themselves;

The Office of the Clerk to Council shall be the secretariat for the DPAC;

Three members of the DPAC shall form a quorum;

All meetings shall be chaired by the Chairperson but in case of his absence, members shall elect one person amongst themselves.

(c) Advice on the requirements of the Code of Conduct and Ethics for Uganda Public Service regarding attendance to duty:

A Public Officer shall observe the official working days in accordance with the regulations and shall always be available for official duty;

A Public Officer shall without exception perform his/her duty in a manner that conveys professionalism, respect and conforms to morally accepted standards;

A Public Officer shall commit working hours to official duties;

A Public Officer in position of authority shall exercise such authority with due diligence and trust and shall demonstrate a high standard of performance of duty and conduct;

A Public Officer shall not hold two jobs at any point in time(moonlighting), and shall not draw two salaries from government payrolls;

A Public Officer shall be results-oriented and committed to the performance of his or her duties;

A Public Officer shall set clear standards of performance that customers can reasonably expect.

ANSWERS TO TEST PAPER 15
CPA (U) DECEMBER 2022

SECTION A

Solution 1

(a)

Workings

Note A

Donations	Shs '000'
As per TB	28,000
Materials donations	<u>60,000</u>
	88,000

Note B

	Shs '000'
Employee costs	
Salaries and wages	469,800
Social security contributions	<u>100,200</u>
	570,000
Goods and services consumed	
Travel inland	83,250
Travel abroad and training expenses	128,500
Telecommunication expenses	94,000
Recruitment expenses	60,000
Utility and property expenses	71,900
Small office equipment	47,000
General administration expenses	35,100
Goods and services consumed	<u>2,056,500</u>
	2,576,250
Consumption of property, plant and equipment	
Depreciation (Note E)	1,056,090
	1,056,090

Note C

Donation of materials

Fair value at 1 June 2021 Shs 60 million

Fair value at 30 June 2021 Shs 55 million

NRV at 30 June 2021 Shs 40 million

Recognize inventory at fair value at date of acquisition as per IPSAS 12—
Inventories

		Shs '000'
Fair value at 1 June 2021		60,000
Other materials		
Acquisition cost	100 x 28,000	2,800,000
NRV	100 x 23,000	2,300,000
Current replacement cost	100 x 24,000	2,400,000
Recognize at lower of cost and current replacement cost		
Acquisition cost	100 x 28,000	2,800,000
Current replacement cost	100 x 24,000	2,400,000
Inventory to be recognised at		2,400,000

Note D

	Shs '000'	Shs '000'
PPE bought (June 2015)	120,000	
	June 2021	June 2018
Inspection costs	6,000	4,000
Replacement costs	8,000	6,000
	14,000	10,000
Depreciation reducing balance at 20%		2,000
NBV June 2019		8,000
Depreciation		1,600
NBV June 2020		6,400
Depreciation		1,280
NBV June 2021		5,120
Accumulated depreciation July 2020		3,600

Note E

	Buildings	Computer supplies and IT services	Furniture & fittings	Motor vehicles	Plant, machinery and equipment	
	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'
B/F	1,029,000	722,000	15,000	320,000	3,250,000	5,336,000
Additions					14,000	
Additions- prior year errors					10,000	
Derecognition					(5,120)	
Additions-no depreciation					(14,000)	
Total	<u>1,029,000</u>	<u>722,000</u>	<u>15,000</u>	<u>320,000</u>	<u>3,254,880</u>	<u>5,340,880</u>
Acc.						

Depreciation b/f	41,500	21,000	2,932	82,000	62,500	209,932
Acc. Deprn b/f-prior year error					3,600	
NBV	987,500	701,000	12,068	238,000	3,188,780	5,127,348
	10%	35%	15%	30%	20%	
Depreciation for the period	98,750	245,350	1,810.20	71,400	637,756	1,055,066.20
Depreciation-Derecognised					1,2801	1,280
NBV at period end	888,750	455,650	10,257.8	166,600	2,551,024	4,072,281.80

(i)

UTDBII: Statement of financial performance for the year ended 30 June 2021

	Notes	Actual June 2021 (Shs '000')	Actual June 2020 (Shs '000')
Operating revenue			
Transfers from Treasury		7,883,961	
Donations	A	88,000	
Miscellaneous revenue		190,417	
Total operating revenue		8,162,378	
Operating expenses	B		
Employee costs		570,000	
Goods and services consumed		2,576,250	
Consumption of property, plant and equipment		1,056,090.20	
Other expenses (loss on depreciation (0-5,120))		5,120	
Total operating expenses		4,207,460.20	
Surplus/ (deficit) for the period		3,954,917.80	

(ii)

UTDBII: Statement of financial position as at 30 June 2021

	Notes	Shs '000'
Assets		
Current assets		
Cash and cash equivalents		155,500
Inventories (60,000+2,400)	C	<u>62,400</u>
Total current assets		217,900
Non-current assets		
Investments-long term		-
PPE	E	<u>4,085,257.80</u>
Total non-current assets		4,085,257.80
Total assets		4,303,157.80
Liabilities		
Current liabilities		
Domestic arrears (80,083+2,400)		82,483
Non-current liabilities		
Property rates due to KCCA		<u>9,000</u>
Total liabilities		91,483
Net assets		4,211,674.80
Represented by:		
Net worth		
Balance brought forward		259,357
Adjustment-prior year errors		10,000
Adjustments-prior year depreciation.		-3,600
Adjustments-prior year errors on property rates		-9,000
Adjusted opening cum. Surplus/ deficit		256,757
Surplus/ (deficit) for the year		3,954,917.80
Net assets		4,211,674.80

- (b) A virement made shall not—
 - ✓ Be more than ten percent of the money allocated for an item or an activity of a vote where the virement is from one item or activity to another;
 - ✓ Be contentious; or
 - ✓ Result into a future liability for the vote or the Government.
- (c) Other disclosure requirements as per IPSAS 12—Inventories
 The financial statements shall disclose:
 - ✓ The total carrying amount of inventories and the carrying amount in classifications appropriate to the entity;
 - ✓ The carrying amount of inventories carried at fair value less costs to sell;
 - ✓ The amount of inventories recognized as an expense during the period;
 - ✓ The amount of any write-down of inventories recognized as an expense in the period in accordance with paragraph 42;
 - ✓ The amount of any reversal of any write-down that is recognized in the statement of financial performance in the period in accordance with paragraph 42;
 - ✓ The circumstances or events that led to the reversal of a write-down of inventories in accordance with paragraph 42; and
 - ✓ The carrying amount of inventories pledged as security for liabilities.

SECTION B

Solution 2

- (a) Briefing notes on methods of disposal of public assets.

Public assets may be disposed of using any of the following methods—

- ✓ Public auction
 A public auction shall be used where— (a) there is a large number of potential bidders for the public asset; (b) the value of the asset is low; (c) more than one public asset are to be disposed of and the assets are at one location; or (d) an onsite auction is arranged to avoid transport costs;

 By using this method, a procuring and disposing entity shall solicit for bids to dispose of a public asset by public auction, by publishing an invitation notice to the public. A procuring and disposing entity shall appoint an auctioneer to conduct a public auction on behalf of the procuring and disposing entity and hand over the public asset for disposal to the auctioneer. The disposal process is then conducted as per PPDA Regulations guidelines.
- ✓ Public bidding
 Public bidding shall be used as a method of disposal where— (a) the asset is located in a remote area; (b) the asset has a geographically dispersed potential market; (c) the sale has end-user or export restrictions; (d) conditions need to be attached to the sale of the asset; or (e) post-bid negotiations may be required. The disposal process is then conducted as per PPDA Regulations guidelines.
- ✓ Direct negotiations

Direct negotiations shall be used where national security, public interest, health and safety issues, legal and human rights issues or environmental considerations are served, when a sale is made to a particular bidder. Where a public asset is to be disposed of through direct negotiations, a procuring and disposing entity shall obtain a valuation for the public asset before the negotiations are conducted. The disposal process is then conducted as per PPDA Regulations guidelines.

✓ Sale to public officers

Sale to a public officer shall be used for the disposal of a public asset where (a) the public assets for disposal are a small number or are of a low value and sale to the public would not achieve value for money for the procuring and disposing entity; or (b) the use of the public asset by the public officer, would directly enhance the performance of the public officer in the execution of his or her duties within a procuring and disposing entity, if the asset is put to the personal use of the public officer. Disposal by sale to public officers shall be contracted to an independent agent and a public asset shall be sold to a public officer for the personal use of the public officer and not for business or commercial use. The disposal process is then conducted as per PPDA Regulations guidelines.

✓ Destruction of the assets

This method shall be used where (a) national security, public interest, health and safety issues, legal and human rights issues or environmental considerations will be served if the public asset is destroyed; or (b) the public asset has no residual value and it cannot be transferred to another procuring and disposing entity, converted or classified into another form with any value or disposed of by donation.

✓ Conversion or classification of assets into another form for disposal by sale

Conversion or classification of a public asset into another form for disposal by sale shall be used as a method of disposal— (a) where national security, public interest, health and safety issues, legal and human rights issues or environmental considerations will be served if the public asset is converted or classified into another form; or (b) where the public asset has no residual value in its current form, but where some sale value can be obtained through conversion or classification of the public asset into another form.

✓ Trade-in

(1) Trade-in shall be used where a public asset of a procuring and disposing entity will be upgraded in a convenient, economic and efficient way, by trading-in a surplus public asset of the procuring and disposing entity, to offset the purchase price of a new asset. (2) Trade-in shall not be used where competition and value for money will not be achieved in the procurement process.

- ✓ Transfer to another procuring and disposing entity
Transfer to another procuring and disposing entity shall be used where the procuring and disposing entity to which a transfer of the public asset is made shall make further use of the public asset.
- ✓ Donation
Donation of a public asset shall be used where (a) the procuring and disposing entity cannot obtain payment for the public assets using any of the relevant methods of disposal; (b) the public asset cannot be transferred to another procuring and disposing entity.

(b)

(i)

- ✓ User department
Responsible for nomination of the contract manager for recommendation to the accounting officer for appointment.
- ✓ Procurement and Disposal Unit
 - Submits a copy of the contract to the contract manager;
 - Receives copies of monthly reports on the progress or completion of the contract from the contract manager.
- ✓ Accounting officer
 - Responsible for appointment of the contract manager;
 - Receives and reviews monthly reports on the progress or completion of the contract from the contract manager;
- ✓ Contract manager
 - Appointed by the accounting officer;
 - Manages the obligations and duties of the procuring and disposing entity specified in the contract; and
 - Makes certain that the provider performs the contract in accordance with the terms and conditions specified in the contract;
 - Closely monitors the progress of the contract and ascertain that the payments claimed by the provider are appropriate and in accordance with the contract terms.
- ✓ Provider/ contractor
 - Fulfils duties and responsibilities as per contract- submitting guarantees, executing warranties;
 - Delivers contract deliverables;
 - Submits certificates of completion and payment requests;
 - Submits progress reports;
 - Attends site meetings.

(ii)

- ✓ Lack of resources
Providers undertake to perform contracts based upon certain deliverables and time. This is normally premised on their ability to perform the contractual terms and to mobilize sufficient resources. But there are times when they fail to deliver due to lack of resources thereby causing delays and affecting the contract management processes.
- ✓ Inadequate skills and expertise

Poor procurement processes may result in selection of poor providers who have either no competence or financial muscle to perform the contracts. Such providers provide poor deliverables and delay contract execution.

- ✓ Supply chain delays
Providers are sometimes faced with delays in the supply chain caused by factors beyond their control. These delay the timely delivery of goods on the due dates or the right quality and quantity affecting contract progress.
- ✓ Unrealistic estimates
There are situations where the providers provide unrealistic estimates to contract milestones at times due to genuine poor estimation errors but sometimes for the sole purpose of winning the contract. Once the contract is entered into and its execution commences, then they begin to lag behind and contracts end up not being delivered on time.
- ✓ Failure to repair defective work
Untimely response to making good shoddy work causes entities to pay for no work done or very shoddy work and sometimes the defects are never rectified if there is laxity in supervision. This requires additional resources —financial and human to ensure rectification of the defects.
- ✓ Inadequate specification and variations may result in procurement of poor providers or poor deliverables or several variations that are time consuming and result in contract delays and higher costs.
- ✓ Poor contract administration
Results in failure in timely execution of contracts and achievement of the intended objectives, poor deliverables, increased contract administration costs and time, delayed payments, untimely correction of defects and dispute resolution.
- ✓ Delays in payment
Results from delayed funding to the PDEs from the finance ministry. However, when the releases are delayed then payments will also delay affecting contract management processes. At times, there is no provision for part completion certificates. This means that clients will request for certificates of completed works yet some parts of the works are already under use by the beneficiaries.
- ✓ Delays in inspection
Sometimes results from inadequate financial and human resources to undertake the activities. Without sufficient resources, entities are heavily constrained to monitor and inspect the providers. Delayed or inadequate inspection/ supervision results in contract management delays and shoddy or poor work from the providers. Secondly, this implies that providers are not given timely feedback, which may result in delayed rectification of defects and delayed payments.
- ✓ Lengthy procurement process from bid submission to contract award requires sufficient time and planning for timely execution of the procurements. Secondly, most contracts are referred to as small or short period and do not allow for price escalation though eventually they turn out not to be or worse still no adjustment are allowed in such

cases. Thirdly, contract committees' approval process of variations is also lengthy.

✓ Contract method

The ease or difficulty of managing a contract is dependent on its simplicity or complexity. A contract should clearly and simply spell out its requirements, be fair and equitable to all parties. The entities are faced with challenges of designing contracts that take care of all the necessary requirements without being complex and many times achieving this balance is rather difficult. Where the contract method is complex, then challenges of ensuring the above becomes real.

✓ Disputes in any contract management relationship

Disputes may arise that need to be settled without hampering the progress of contract execution. Whereas the contract and procurement guidelines provide a mechanism for dispute resolution, the practice is that the process is tedious, lengthy and could be too costly and damaging.

Solution 3

(a)

IPPS is an enterprise-wide integrated, computerized and efficient human resource management information system that is used by ministries, departments and agencies (MDAs) and local governments to undertake human resource management activities from recruitment to separation, including payroll and pension processing.

- ✓ The system is designed to improve, automate and enhance human resource management processes, including pensions and payroll. This comprises staff planning and organisation structure management, job profile matching, human resource management, human resource development and training, human resource planning, organizational structure control, recruitment, selection and appointment of staff, staff records management, career and succession planning, performance appraisal, time management, travel and subsistence, termination of services, payroll and pensions management.
- ✓ The system seeks to improve the quality of human resource information and provide timely and accurate information for human resource management decisions available to decision makers within the public sector.
- ✓ The system supports and maintains integrity of human resource records, payroll and pensions management processes across the public sector.
- ✓ It provides centralized database to aid government's manpower planning and decision making, thus greatly improving the management and reporting of information on human resource activities.
- ✓ It facilitates automation and storage of human resource records to support monitoring of staff emolument payments against budget.
- ✓ It enhances the confidence in payroll costs and budgeting and prevents wastage and leakages by ensuring that staff remuneration is based on factually correct information.

- ✓ It improves the effectiveness and efficiency in transactional services such as processing and payment of salaries directly to employees account with appropriate deductions and remittances of third-party payments (e.g. tax, pension, saving schemes, local government dues and bank loans).

(b)

- ✓ Commitment of the approved budget
The Secretary to the Treasury issues the annual cash flow plan of government based on the procurement plans, work-plans and recruitment plans approved by Parliament after budget approval. The Accountant General uses the annual cash flow plan as a basis for release of funds to the accounting officers. Accounting officers commit the budget of their votes based on the annual cash flow plan.
- ✓ Budget execution by Accounting Officer
Accounting officers plan and manage their activities in the policy statement of their votes in accordance with the annual cash flow plan. A vote is not allowed to take any credit from any local company or body unless it has no unpaid domestic arrears from a debt in the previous financial year and has capacity to pay for the expenditure from the approved estimates as appropriated by Parliament for that financial year.
- ✓ Grant of credit on the consolidated fund
The PFMA requires the minister on the advice of the Accountant General to request the Auditor General to issue a grant of credit on the consolidated fund. The grant of credit should be for statutory expenditure, services to be rendered during the financial year where the funds are authorised by an Appropriation Act or Supplementary Act or for investment.
- ✓ Withdrawals from the consolidated fund
Withdrawal of funds from the consolidated fund is upon the authority of a warrant issued by the minister to the Accountant General. The PFM Act requires the minister to issue a warrant only where a grant of credit is issued by the Auditor General. The warrant should be for authorised expenditure, statutory expenditure, repaying money received in error and paying sums required for an advance, refund, rebate or drawback. The minister may suspend, withdraw, limit or place conditions on the warrant where it is necessary for financial exigency or in public interest.
- ✓ Reallocations/ virements
The PFM Act allows the minister within the prescribed limits to vary within a vote the amount of the money allocated to it upon request by the accounting officer.
- ✓ Supplementary budgets
The minister through a supplementary appropriation bill is permitted to lay a supplementary estimate before Parliament showing the amount required in respect of any financial year where it is found that the amount appropriated is insufficient or that a need has arisen for expenditure for a purpose for which no amount was appropriated.
- ✓ Report on expenditure commitments

Accounting officers are required to prepare and submit to the Secretary to the Treasury an expenditure commitment report indicating the actual and forecast commitments and cash position of the vote every three months. The Secretary to the Treasury is then required to prepare and submit a consolidated expenditure commitment report for all the votes to the minister within thirty days after the end of three months.

(c)

Requirements of the Leadership Code Act on use of public property

- ✓ Public property includes any form of real or personal property in which the Government or public body has ownership; a plant, equipment, leasehold or other property interest as well as any right or other intangible asset that is purchased with public funds.
- ✓ A leader shall protect and preserve public property under his her personal use and
- ✓ Shall not use such property or allow its use for any other purpose other than authorised purposes.

Consequences of abuse of public property

- ✓ A leader who knowingly misuses or allows public property entrusted to his or her care to be misused, abused or left unprotected shall make good the loss occasioned to the property and the value of the property or damage to the property shall constitute a debt from the leader to the Government or public body concerned.

In addition, a leader who abuses or misuses public property may be:

- ✓ Warned or cautioned;
- ✓ Demoted; or
- ✓ Dismissed from office.

Solution 4

(a)

Internal auditing is "an independent objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes." It assists accounting officers to accomplish their objectives as set out in the PFM Act and PFM Regulations. T

The role of internal audit is as follows:

- ✓ Assists accounting officers in carrying out the oversight responsibilities relating to financial practices, internal controls, corporate governance issues, compliance with laws, ethics and audit matters;
- ✓ Reviews the arrangements established by the accounting officers for compliance with regulatory and financial reporting requirements;
- ✓ Reviews the financial statements prepared by the accounting officers to ensure that the disclosures in the financial statements are adequate and that fair representation is achieved;

- ✓ Facilitates risk assessment to determine the amount of risk exposure of the assets of the votes and the possibility of loss that may occur, with the view of mitigating risks;
- ✓ Makes recommendations of their findings to the accounting officer.

(b) Statement of outstanding commitments/ encumbrances

	Outstanding commitments at beginning of the year 1 July 2020	Adjustments to previous year's commitments	Prior years commitments paid during the year	New outstanding commitments incurred during the year	Cumulative outstanding commitments 30 June 2021
	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'
Operating commitments					
Employee costs	6,000			8,000	14,000
Staff training costs	33,000			21,000	54,000
Goods and service consumed	34,000	-2,000	-14,000	13,000	31,000
Other operating expenses	200,000		-210,000	225,000	215,000
Total operating commitments	279,000	-2,000	-224,000	267,000	320,000
Capital commitments					
Non-produced assets					
Property, Plant and Equipment	120,000		-110,000	40,000	50,000
Total capital commitments					
Commitments for extraordinary items					
Total commitments	399,000	-2,000	-334,000	307,000	370,000

(c) Key focus areas where management is required to put in places procedures

- ✓ Collection of all projected income as promptly as possible;

- ✓ Monitoring of revenue arrears and taking action to recover outstanding amounts;
- ✓ Management of payments within the projected amounts, work plan and an agreed policy on payment periods;
- ✓ Avoidance of over-commitments;
- ✓ Review of monthly cash flow budgets in light of new information.

Solution 5

(a) Borrowing costs

	Shs 'million'	Shs 'million'
Weighted average borrowing cost		
Non-specific borrowing	(2,040+3,060)	5,100
9% (2,040/5,100)	0.036	
Add 13% (3,060/5,100)	<u>0.078</u>	
WACC	0.114	
Borrowing costs to be capitalised		
Specific loan	132.6	
Less interest income	(40.8)	
	91.8	
General borrowings		
11.4% x 204 x 9/12	17.442	
11.4% x 2,448 x 3/12	69.768	
11.4% x 408 x 0/12	0	
	179.01	

(b) Impairment loss

	Shs 'million'
Acquisition cost	75.0
Accumulated depreciation -2021 (75 x 15/64)	17.6
Carrying amount	57.4
Replacement cost (19.5 x 3)	58.5
Accumulated depreciation (59/64) x 15	13.7
RSA	44.8
Impairment loss (57-45)	12.6

(c)

- (i) The relevant IPSAS is IPSAS 31—Intangible Assets.

An intangible asset arising from development (or from the development phase of an internal project) shall be recognized if, and only if, an entity can demonstrate all of the following:

- ✓ The technical feasibility of completing the intangible asset so that it will be available for use or sale;
 - ✓ Its intention to complete the intangible asset and use or sell it;
 - ✓ Its ability to use or sell the intangible asset;
 - ✓ How the intangible asset will generate probable future economic benefits or service potential. Among other things, the entity should demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
 - ✓ The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
 - ✓ Its ability to measure reliably the expenditure attributable to the intangible asset during its development;
- All the above must be fulfilled for recognition of intangible asset under the development phase.

(ii)

The approach used to assess whether an internally generated intangible asset meets the criteria for recognition:

An entity classifies the generation of the asset into:

✓ Research phase

Research activities by definition do not meet the criteria for recognition under IPSAS 31. This is because, at the research stage of a project, it cannot be certain that future economic benefits will probably flow to the entity from the project. There is too much uncertainty about the likely success or otherwise of the project. Research costs should therefore be written off as an expense as they are incurred.

For example, research activities costs on activities of obtaining new knowledge; the search for, evaluation and final selection of, applications of research findings or other knowledge; the search for alternatives for materials, devices, products, processes, systems or services; the formulation, design evaluation and final selection of possible alternatives for new or improved materials, devices, products, systems or services.

✓ Development phase

An intangible asset arising from development (or from the development phase of an internal project) shall be recognized if, and only if, an entity can demonstrate all of the six conditions highlighted in the Standard.

Examples of development activities:

(a) The design, construction and testing of pre-production or pre-use prototypes and models; (b) The design of tools, jigs, molds and dice involving new technology; (c) The design, construction and operation of a pilot plant or operation that is not of a scale economically feasible for commercial production or use in providing services; (d) The design, construction and testing of a chosen alternative for new or improved materials, devices, products, processes, systems or services; and (e) website costs and software development costs.

- ✓ If an entity cannot distinguish the research phase from the development phase of an internal project to create an intangible asset, the entity treats the expenditure on that project as if it were incurred in the research phase only.

ANSWERS TO TEST PAPER 16
CPA (U) MAY 2023

Solution 1

(a)

- (i) Sheena Municipal Council: Statement of financial performance for year ended 30 June 2022

		Shs '000'
Revenue	Notes	
Local revenue	W1	1,627,250
Donations	W2	210,000
Realized income-Service concession	W3	96,000
URF		4,500,000
Central Government transfer		<u>2,000,000</u>
		8,433,250
Expenditure:		
Administration	W5	2,391,917
Works and transport	W7	665,000
Pension and gratuity contributions		825,000
Health and welfare		624,000
Finance costs	W6	20,000
Total operating expenditure		4,525,917
Surplus from operations		3,907,333
Less transfer to Treasury		1,500,000
Surplus for year		2,407,333

- (ii) Sheena Municipal Council: Statement of changes in net assets/ equity as at 30 June 2022

	Shs '000'
At 1 Jan - Net worth B/F	0
Less: Transfers to the UCF account (previous year balances)	0
Add/ (Less): Adjustments to the opening balance	0
Revaluation reserve	150,000
Add: Surplus/deficit for the year	3,907,333
At 30 June - Closing net financial worth	4,057,333

(iii) Sheena Municipal Council: Statement of financial position as at 30 June 2022.

		Shs '000'
Current assets:	Notes	
Cash and cash equivalents	W11	136,250
Staff advance	8W	110,000
		246,250
Non-current assets:		
Property, plant and equipment	W9	8,357,083
Total assets		<u>8,603,333</u>
Current liabilities		
Trade payable		127,000
Finance cost		20,000
Unspent donation	W2	10,000
Deferred income-SC liability	W10	288,000
Withholding tax		85,000
		530,000
Non-current liabilities		
5% Long term borrowing: UDB		400,000
Deferred income-SC liability	W10	<u>3,616,000</u>
		4,016,000
Total liabilities		<u>4,546,000</u>
Net assets (Liabilities)		4,057,333
Financed by:		
Net worth/ equity (see SOCE)		4,057,333

Workings:

W1 Local revenue

	Shs '000'
Local service tax	130,000
Property rates	720,000
Taxi park fees(175,000 x 0.75)	131,250
Licenses	123,000
Fines and penalties	200,000
Sundry revenue	98,000
Market fees (300,000 x 0.75)	225,000
	<u>1,627,250</u>

W2 Donations

	Shs '000'
Covid-19 Taskforce: Cash	70,000
Covid-19 Taskforce: Motor vehicle	150,000
Unspent cash	<u>(10,000)</u>
	<u>210,000</u>

W3 Service concession revenue

	Shs '000'
Monthly charge fees (24,000 x 4)	96,000

W4 Revaluation

	Shs '000'
Land revaluation (350,000 -200,000)	150,000

W5 Administration

	Shs '000'
TB	502,000
Travel inland	120,000
Allowances	400,000
Sundry expenses	177,000
Depreciation:	
Motor vehicles (1,950,000 x .2)	375,000
Buildings (4,000,000 x 0.05) x 4/12+(600,000 x 0.05)	96,667
Machinery and equipment (2,885,000 x 25)	<u>721,250</u>
	<u>2,391,917</u>

W6 Finance cost

	Shs '000'
UDB (400,000 x 0.05)	20,000

W7 Works and transport

	Shs '000'
TB	350,000
Staff advance (425,000-75,000) x .9	<u>315,000</u>
	665,000

W8 Staff advance

	Shs '000'
TB	425,000
Less works (425,000-75,000)	<u>(350,000)</u>
Add unaccounted for works (350,000 x 0.1)	35,000
	<u>110,000</u>

W9 PPE schedule

	Land	Buildings	Motor vehicles	Machinery & equip.	Total
	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'
Opening balance 1 July 2021	200,000	600,000	1,800,000	3,000,000	5,600,000
Additions	-	4,000,000	150,000	0	4,150,000
Revaluation	150,000	-	-	-	150,000
	350,000	4,600,000	1,950,000	3,000,000	9,900,000
Acc. depreciation(1.7.2021)	-	(90,000)	(145,000)	(115,000)	(350,000)
Depreciation for the year	-	(96,667)	(375,000)	(721,250)	(1,192,917)
NBV at 30/6/2022	350,000	4,413,333	1,430,000	2,163,750	8,357,083

W10 Service Concession liability

		Shs '000'
Market value		4,000,000
Less service concession revenue (24,000 x 4)		(96,000)
		<u>3,904,000</u>
Current liability	(24,000 x 12)	288,000
Non-current liability		3,616,000

W11 Cash and cash equivalents

	Shs '000'
Trial balance	255,000
Uncollectable market fees (300,000 x .25)	<u>(75,000)</u>
Uncollectable taxi park fees (175,000 x .25)	<u>(43,750)</u>
	<u>136,250</u>

(b) Determination of interest implicit in lease using present value formula.

Year	Cash flows Shs '000'	Discount rate 15%	PV flows Shs '000'
1-4	50,000	2.855	142,750
4	60,000	0.572	<u>34,320</u>
			177,070

Year	Cash flows Shs '000'	Discount rate at 24%	PV flows Shs '000'
1-4	50,000	2.404	120,200
4	60,000	0.423	<u>25,380</u>
			145,580

Difference in actual PV flows and calculated PV flows

At 15% (DLR) (177,070-150,000) 27,070

At 24% (DHR) (150,000-145,580) 4,420

Applying the formula

$$\begin{aligned}
 &LR + (HR - LR) \times (DLR / (DLR + DHR)) \\
 &= 15\% + (24\% - 15\%) \times (27,070 / (27,070 + 4,420)) \\
 &= 15\% + (9\% \times (27,070 / 31,490)) \\
 &= 15\% + 7.7367\% \\
 &= 22.7\% \text{ or } 23\%
 \end{aligned}$$

Note: Candidates can use total cash flows for all vehicles but still will arrive at same rate, for example, Shs 150 million and Shs 180 million in years 1-4 and year 4 respectively).

(c)

(i)

Sheena Municipal Council (SMC) should account for the transactions according to IPSAS 23—Revenue from Non-Exchange Transactions.

Land transferred

Recognize the asset (Land) at fair value and revenue from non-exchange revenue.

Dr. Land Shs 4.5 billion

Cr. Non-exchange revenue Shs 4.5 billion

For debt forgiven

SMC should derecognize the debt obligation and recognize capital contribution from Government at carrying amount of the debt forgiven.

Dr. National Development Bank loan Shs 15,000,000,000

Cr. Capital contribution Shs 15,000,000,000

(ii)

Some intangible assets are described as intangible heritage assets because of their cultural, environmental, or historical significance. Examples of intangible heritage assets include recordings of significant historical events and rights to use the likeness of a significant public person on, for example, postage stamps or collectible coins.

Characteristics:

- ✓ Their value in cultural, environmental, and historical terms is unlikely to be fully reflected in a financial value based purely on a market price;
- ✓ Legal and/ or statutory obligations may impose prohibitions or severe restrictions on disposal by sale;
- ✓ Their value may increase over time; and
- ✓ It may be difficult to estimate their useful lives, which in some cases could be several hundred years.

Disclosure requirements

- ✓ The measurement basis used;
- ✓ Amortization method used, if any;
- ✓ Gross carrying amount;
- ✓ Accumulated amortization at the end of the period , if any;
- ✓ The reconciliation of the carrying amount at beginning and at the end of the period showing certain components thereof.

Solution 2

(a)

(i) Contents of a letter of complaint to the Authority.

A complaint to the Authority shall be in writing, addressed to the Executive Director of the Authority.

A complaint shall—

- ✓ Indicate the name and contact details of the bidder or the person representing the bidder;
- ✓ Indicate the procuring and disposing entity against which the complaint is made;
- ✓ Indicate the procurement or disposal requirement to which the complaint relates;
- ✓ Indicate the complaint made to the Accounting Officer;
- ✓ Include a record of the correspondences regarding the complaint, between the Accounting Officer and the bidder;
- ✓ Indicate the grounds of the complaint;
- ✓ Indicate the corrective measures requested for by the bidder from the Authority; and
- ✓ Provide any other information relevant to the complaint.

(ii)

Criteria for evaluation for pre-qualification.

(1) The evaluation for pre-qualification shall be based on the capability and resources of a bidder, taking into account;—

- ✓ experience in executing similar contracts;
- ✓ performance on similar contracts;
- ✓ capabilities with respect to equipment and manufacturing facilities;
- ✓ the qualifications and experience of the personnel of the bidder;
- ✓ financial capability of the bidder to perform the proposed contract;
- ✓ facilities or representation at or near the location for performance of the contract;
- ✓ the available capacity to undertake the assignment; and
- ✓ any other relevant criteria.

The assessment of pre-qualification applications shall be in accordance with the requirements and criteria stated in the prequalification document.

(iii) Conditions for use of open international bidding

- ✓ Open international bidding may be used instead of open domestic bidding where competition will not be effective without foreign bidders or where foreign bids will increase value for money.
- ✓ Nothing shall prevent a domestic bidder from participating in open international bidding.
- ✓ The procurement process under open international bidding shall follow the procurement process to be set out in regulations.

- ✓ Open international bidding shall be open to all bidders following the public advertisement of a Bid Notice in a publication of wide international circulation.
- ✓ Bidding documents may be issued to prospective bidders at a fee, the cost of which shall be agreed upon by the Contracts Committee but, in all cases shall be in line with guidelines.
- ✓ A public bid opening shall be held in accordance with the procedure prescribed by regulations.

(b)

(i) Contents of the programme budget framework paper

The programme Budget Framework Paper shall include:

- ✓ Programme overview: Overview of Programme Expenditure and Medium Term Allocations
- ✓ Forecasts, providing out-turn performance for the previous two years,
- ✓ A projection of expenditures for each Programme for the ensuing financial year and the two years following that financial year.
- ✓ The details of the estimated Non-Tax Revenue of the government.
- ✓ The details of the estimated expenditures of the sector.
- ✓ The sector's outstanding obligations and, details of a financial plan to meet those obligations.
- ✓ Crosscutting issues (Gender and Equity Issues)

(ii) Relevance of First budget call circular

The first budget call circular Provides—

- (a) The preliminary ceilings of the projected expenditure of the Government for the proceeding financial year; and
- (b) The budget strategy which shall include national priorities, policy and administrative guidelines for the proceeding financial year.

(iii) Classes of government revenue.

The government revenue is broadly classified under the following main categories: tax revenue, development partner grants, treasury transfers, borrowings, sale of property and other revenues. These can be further explained below:

- ✓ Tax Revenue - Taxes are levied with the authority of Parliament subject to Article 152 of the Constitution of the Republic of Uganda
Tax revenue is further subcategorized as follows:
- ✓ Taxes on Income, Profits or Capital Gains.
 - Taxes on payroll and workforce.
 - Taxes on Property Income.
 - Taxes on goods and services; and
 - Taxes on international trade and transactions.

- Other taxes
- ✓ Social Contributions: Include social security contributions and other contributions.
- ✓ Transfers - Transfers received include; transfers received from the Consolidated Fund, transfers received from the Contingencies Fund and transfers received from other government units, without expecting services or goods of equal value. The development partners also provide funds and assets without expecting a service in exchange.
- ✓ Grants: Grants may be received either as cash or in-kind. An entity may access grants from Development Partners and budget transfers from Treasury. These grants and transfers are sub-categorized as follows:
 - Grants received from Foreign Governments.
 - Grants received from International Organizations; and
 - Grants received from other general government units which are domestic government transfers which include Treasury Transfers, Inter-entity and intra-entity transfers.
- ✓ Other Revenue - An entity may levy, and collect licensing fees, fines and penalties or any other revenue without an expectation to provide a service or a good of equal value for example:
 - Property Income.
 - Sales of goods and services.
 - Fines, penalties, and forfeits.
 - Voluntary transfers other than grants (NGOs).

Solution 3

REPORT

From: Consultant
 To: Accounting Officer,
 Ministry of Agriculture and Animals (MOAA)
 Date: Examination date
 Subject: Report on various transactions and issues of concern

1.0 Introduction

This report has been prepared to help the ministry in handling transactions it was involved in the books of accounts; help is staff in understanding factors considered in determining functional currency of foreign operations; reconciliation of carrying amounts of its animals and on the common features of agricultural activity as per relevant public accounting standards.

1.1 Methodology

In preparation of the report, the International Public sector accounting standards (IPSASs) relevant to issues at hand were used, computation of amounts and qualitative information relevant have been used.

2.0 Advise on various subject matters

2.1 Treatment of the transactions in ministry's financial statements.

On 1 November 2021.

The ministry will recognize a non-monetary asset translating\$ 2 million into its functional currency (Shs) at spot rate between functional currency and foreign currency.

Dr	Non-monetary asset (SMIL) Shs 7,200,000,000
Cr	Bank Shs 7,200,000,000

On 31 December 2021.

The ministry should derecognize a non-monetary asset and recognize machinery as property, plant and equipment, applying IPSAS 17: *Property, Plant and Equipment* at Shs7,200,000,000.

Dr	Machinery and equipment (Capital expenditure) Shs 7,200,000
Cr	Non-monetary Asset (SMIL) Shs 7,200,000

On31March, 2022.

The ministry should recognize the machinery as property, plant and equipment with a corresponding monetary liability at the spot rate translating \$ 3.5 million into Shs at rate Shs 3,820 per dollar.

Dr	Machinery and equipment Shs 13,370,000,000
Cr	Financial obligation (SMIL) Shs 13,370,000,000

On 30June, 2022

When the payment is effected, the ministry will derecognize the liability and any exchange difference recognized in the surplus or deficit.

Dr	Financial obligation (SMIL)-Shs13, 370,000,000
Cr	Bank-Shs 12,880,000,000
Cr	Exchange difference(Gain) Shs 490,000,000.

2.2 The factors considered in determining the functional currency of foreign operation:

- ✓ Whether the activities of foreign operation are carried out as extension of reporting entity rather than being carried out with a significant degree of autonomy.
- ✓ Whether transactions with the reporting entity are low or high proportion of foreign operations activity.
- ✓ Whether cash flows from activities of foreign operations directly affect the cash flows of reporting entity and are readily available for remittance to it.

- ✓ Whether cash flows from activities of foreign operations are sufficient to service existing and normal debt obligations without funds being made available by the reporting entity

2.3 Reconciliation of changes in carrying amounts during the year

		Shs '000'	Shs '000'
Carrying amount at 1 July 2021			
New-born calves	80 x 300	24,000	
1.5-year old animals	150 x 1600	240,000	
1-year old animals	70 x 800	<u>56,000</u>	320,000
Increase due purchase	65 x 1650		107,250
Increase due to non-exchange Transaction	45 x 600		27,000
Gains in fair values less costs to sell-Physical change:			
New-born/ 1-year old	(1000-300) x 80	56,000	
2.5-year old	(2200-1700) x 150	75,000	
2-year old	(1900-1000) x 70	63,000	
2-year old	(1900-1700) x 65	13,000	
1.5 year	(1700-600) x 45	<u>49,500</u>	256,500
Gains in fair values less costs to sell: Price changes:			
1-year old	(1000-800) x 70	14,000	
1.5-year old	(1700-1600) x 150	15,000	
1.5-year old	(1700-1650) x 65	<u>3,250</u>	<u>32,250</u>
Fair value less costs to sell of cattle held at June 30,2022			<u>743,000</u>
1-year old animals	(1,000 x 80)	80,000	
1.5-year old animals	(1,700 x 45)	76,500	
2-year old animals	(1,900 x 135)	256,500	
2.5-year old animals	(2200 x 150)	<u>330,000</u>	<u>743,000</u>

2.4 The common features of agricultural activity as per IPSAS 27—Agriculture

- ✓ Capability to change; Living animal and plants are capable of biological transformation.
- ✓ Management of Change; Management facilitates biological transformation by enhancing or at least stabilizing conditions necessary for process to take place (for example nutrients, fertility, pasture)

- ✓ Measurement of Change; Change in quality or quantity brought about by biological transformation is measured and monitored as a routine management function.

3.0 Conclusion

When accounting for the transactions above, the ministry of Agriculture and Animals should be guided by the International Public Sector Accounting Standards (IPSAS) that apply the transactions in question as has been discussed in this report.

Solution 4

(a)

Grounds for removal of a member of LGPAC

A member of a local government public accounts committee, including the chairperson, may be removed from the committee by the district council by a resolution supported by two-thirds of the members of the council on the recommendation of the executive committee but can only be removed on the following grounds—

- ✓ abuse of office;
- ✓ incompetence;
- ✓ failure to attend three consecutive ordinary meetings without valid reasons acceptable to the committee;
- ✓ Inability to perform the functions of that office arising from physical or mental incapacity.
- ✓ The seat of a member of local government public accounts committee shall fall vacant if (a) a member dies; or (b) resigns.

(b) Role of LGPAC in financial management

- ✓ The committee examines the reports of the Auditor General, chief internal auditor and any reports of commissions of inquiry and may, in relation to the reports, require the attendance of any councillor or officer to explain matters arising from the reports.
- ✓ The local government public accounts committee shall submit its report to the council and to the Minister responsible for local governments who shall lay the report before Parliament.

(c) Interest in income, assets and liabilities: Leadership code (amendment), Act 2017 Section 4 (6). In this section, a leader shall declare income assets and liabilities in which he or she has interest.

A leader shall be taken to have an interest where:

(a) In case of income and assets—

- ✓ It is owned by the leader;
- ✓ It is jointly owned by the leader with any other person;

- ✓ It is held in trust by the leader for any other person; or
 - ✓ It is contained in a joint account for the benefit of a leader and any other person.
- (b) In case of a liability,
It was acquired, guaranteed or is payable by the public officer on his or her behalf or on behalf of any other person.

A conflict of interest shall arise where—

- ✓ A leader deals with a matter in which he or she has a personal interest where he or she is in a position to influence the matter, directly or indirectly, in the course of his or her official duties;
- ✓ The position the leader holds and the services he or she provides to a person or private body is in conflict with his or her official duties;
- ✓ a leader participates in the deliberations of a public body, board, council, commission or committee of which he or she is a member at any meeting at which any matter in which he or she has a personal interest is to be discussed; or
- ✓ a leader attends a meeting of a public body, board, council, commission or committee and fails or neglects to disclose the nature and extent of his or her personal interest.

(d)

Attendance to duty

- ✓ A Public Officer shall observe the official working days in accordance with the regulations and shall always be available for official duty when called upon.
- ✓ A Public Officer shall without exception perform his or her duty in a manner that conveys professionalism, respect and conforms to morally accepted standards.
- ✓ A Public Officer shall commit working hours to official duties.
- ✓ A Public Officer in position of authority shall exercise such authority with due diligence and trust and shall demonstrate a high standard of Performance of duty and conduct.
- ✓ A Public Officer shall not hold two jobs at any point in time (moonlighting), and shall not draw two salaries from government payrolls.
- ✓ A Public Officer shall be results-oriented and committed to the performance of his or her duties.
- ✓ A Public Officer shall set clear standards of performance that customers can reasonably expect.

Customer care

A Public Officer shall serve customers with fairness, transparency, promptness, clarity, respect and courtesy with a view to ensuring customer satisfaction and enhancing the image of the public service. Therefore, a Public Officer shall:-

- ✓ Serve every customer in a professional manner in accordance with the set standards.

- ✓ Not discriminate or harass any customer and ensure that the services are available and applied equally to all.
- ✓ Accord courtesy, empathy and fairness to all customers with special attention to persons with disabilities, the aged, sick and expectant mothers.
- ✓ Respond to all customers' requests with promptness and clarity.
- ✓ Uphold teamwork and advance the public good for efficient service delivery.

ANSWERS TO TEST PAPER 17
CPA (U) AUGUST 2023

SECTION A

Solution 1

- (a)
- (i) National Transport Infrastructure Authority (NTIA): Cash flow statement for the year ended 30 June 2022

	Shs 'millions'
Cash flow from operating activities	
Road toll fees	6,500
Central Government grants	3,628,726
Donor funds	345,957
Transfers received from Other Government units	<u>856,375</u>
Total cash receipts from operations	4,837,558
Operating Expenses:	
Employee costs (W1)	57,950
Goods and services consumed (W2)	4,792,737
Transfers to other organisations	86,701
Finance costs(W6)	160
Taxes paid(W3)	<u>205</u>
Total cash payments for operating activities	4,937,753
Net cash outflows from operating activities	(100,195)
Cash flows from investing activities	
Acquisition of property	(17,515)
Purchase of ERP	<u>(10,000)</u>
Net cash outflows from investing activities	(27,515)
Cash flows from financing activities	
Increase in tax payers equity (250,000-152,000)	98,000
Conditional grants	34,710
Receipts from long term borrowing	3,000
Repayment of long term borrowing	<u>(15,000)</u>

Net cash flows from financing activities	120,710
Net decrease in cash and cash equivalents	(7,000)
Opening cash and cash equivalents	12,000
Closing cash and cash equivalents	5,000

Workings

W1 Employee costs and benefits

	Shs '000'
Statement of financial performance	57,885
Decrease in liability	<u>65</u>
	57,950

W2 Goods and services consumed

	Shs '000'
Statement of financial performance	4,627,880
Increase in Inventories(170,000-195-140,000)	29,805
Written down inventories (345-150)	195
Increase in trade receivable (24,000-6-150,000)	63,994
Increase in advances (94,866+80-62,354)	32,592
Loss of scrapping machinery	(4,000)
Increase in trade and other payables (W4)	(18,275)
Depreciation	60,540
Discounts on receivables	<u>6</u>
	4,792,737

W3 Taxation

	Shs '000'
Opening balance	15
Statement of financial performance	210
Taxes payable at yearend	<u>(20)</u>
Cash paid	205

W4 Trade and other payables

	Shs '000'
Closing balance	102,000
Outstanding (interest on bank loan)	(105)
Opening balance	<u>(83,620)</u>
	18,275

W5 Trade and other receivables

	Shs '000'
Closing balance	214,000
Discounts	(6)
Opening balance	<u>(150,000)</u>
	63,994

W6 Finance costs

	Shs '000'
Statement of financial performance	345
Advance	(80)
Outstanding	<u>(105)</u>
Cash paid	160

(ii) Relevance of cash flow information:

- ✓ Assists in predicting the future cash requirements of the entity.
- ✓ Helps users in assessing the entity's ability to generate cash flows in the future.
- ✓ Useful in assessing the entity's ability to fund changes in the scope and nature of its activities.
- ✓ A cash flow statement also provides a means by which an entity can discharge its accountability for cash inflows and cash outflows during the reporting period.
- ✓ When used in conjunction with other financial statements, provides information that enables users to evaluate the changes in net assets/equity of an entity, its financial structure (including its liquidity and solvency), and its ability to affect the amounts and timing of cash flows in order to adapt to changing circumstances and opportunities.
- ✓ It also enhances the comparability of the reporting of operating performance by different entities.

Need to classify cash flows:

- ✓ Classification by activity provides information that allows users to assess the impact of those activities on the financial position of the entity, and the amount of its cash and cash equivalents.
- ✓ This information may be used to evaluate the relationships among those activities.

(iii) Comment on infrastructure, property, plant and equipment:

- ✓ Overall infrastructure, property, plant and equipment increased by 5.1 % in 2022 as compared to the previous year.
- ✓ The change is largely attributed to scrapping of machinery worth Shs 4 billion.

- ✓ And its replacement by purchase of additional machinery at Shs 17.515 billion to increase productive capacity

(b) Primary service recipients and resource providers

- ✓ Citizens receive services from, and provide resources to, the government and other public sector entities.
- ✓ Governments: The discharge of accountability obligations requires the provision of information about the entity's management of the resources entrusted to it for the delivery of services to constituents and others, and its compliance with legislation, regulation, or other authority that governs its service delivery and other operations
- ✓ Lenders, creditors, donors and others make decisions about whether to provide resources to support the current and future activities of the Government or other public sector entities.
- ✓ The legislature (or similar body) and members of parliaments who depend on General Purpose Financial Reports for the information they need, can make or influence decisions about the service delivery objectives of Government departments, agencies or programs and the resources allocated to support their achievement.
- ✓ Taxpayers can make decisions about their voting preferences, and representations they make to elected officials or other representative bodies—these decisions may have resource allocation consequences for certain public sector entities.

(c) Functions of the Council in relation to financial management

- (i) The Council shall perform the following functions in relation to financial management:
 - ✓ Authorise public expenditure, in accordance with section 82(1) of the Act;
 - ✓ Exercise general control over public revenue of the council in accordance with the Act, these Regulations and other instructions issued by a competent authority;
 - ✓ Approve all annual plans and budgets for local government expenditures
 - ✓ Approve vote on account;
 - ✓ Approve supplementary estimates;
 - ✓ Approve policies;
 - ✓ Consider reports produced by the Local Government Public Accounts Committee and recommend action where necessary.
- (ii) Duties of the Chief Executive

The chief executive shall be the accounting officer of the Council.

The duties of the chief executive shall include, among others:

- ✓ To ensure that the financial procedures established by the Act, these Regulations, the accounting manual and any instructions issued under the Act and these Regulations are followed and that accounting records are maintained in a form prescribed for accounting purposes;
- ✓ To ensure that the public monies, property and resources for which he or she is responsible as accounting officer are properly managed and safeguarded;
- ✓ To report to the Minister with a copy to the Auditor General, any cases of apparent waste, extravagant administration or failure to achieve value for money in addition to any weakness in financial procedures;
- ✓ To produce when required by the Auditor General or Accountant General or by such public officers as may be authorised by them, all cashbooks, stamps, records or vouchers in his or her charge;
- ✓ To reply promptly and substantively to any queries addressed to him or her by the Minister, Auditor General, Inspectorate of Government and the head of internal audit;
- ✓ To ensure the appointment of a qualified and competent head of finance, head of internal audit and such other staff as are necessary to carry out the accounting and financial management of the council;
- ✓ To maintain, through the head of finance, a budget desk for purposes of having an adequate and efficient system of planning, budgeting and budgetary control to enable preparation of plans and budgets in the prescribed time and manner, and the activities of the council to proceed within the prescribed framework;
- ✓ To prepare and submit to the Auditor General the statement of final accounts of the council for audit within three months after the end of each financial year in accordance with the Public Finance and Accountability Act, 2003;
- ✓ To ensure that revenue and debt management and collection, expenditure management and payment of creditors are in accordance with these Regulations, the accounting manual and any instructions issued by the Minister;
- ✓ To establish proper storage facilities with accounting and financial control systems to ensure efficient receipt, issue and safe custody of stores, vehicles, plant and other assets;
- ✓ To establish and operate, through the head of internal audit, a reporting framework on the adequacy and efficiency of arrangements made under paragraph (b), and to assess whether the council receives value for money in respect of all its activities;
- ✓ To support and participate in national and local training and publicity initiatives for the efficient maintenance and improvement of the financial skills and awareness of all personnel connected with the council, including staff, councillors and the public;

- ✓ To ensure that all staff and councillors are aware of and conform to the requirements of these Regulations and the accounting and management arrangements made under them;
- ✓ To appoint accounting officers at lower local government councils, for the purposes of accounting to him or her for conditional grants and other funds from the council, other than the funds that belong to those lower government councils.

SECTION B

Solution 2

(a)

(i) Evaluation Committee (Membership Sec 37)

- ✓ All evaluations shall be conducted by an Evaluation Committee, which shall report to the Procurement and Disposal Unit.
- ✓ The membership of the Evaluation Committee shall be recommended by Procurement and Disposal Unit, in accordance with Regulations made under the Act, and approved by the Contracts Committee.
- ✓ The number of the members of the Evaluation Committee shall depend on the value and complexity of the procurement requirement, but shall in all cases be a minimum of three members.
- ✓ The members shall be of an appropriate level of seniority and experience, depending on the value and complexity of the procurement requirement.
- ✓ Members of the Evaluation Committee may be external to the Procuring and Disposing Entity, where the required skills or experience are not available within the Procuring and Disposing Entity or where members are indisposed or have a conflict of interest.
- ✓ All members of the Evaluation Committee shall sign the Code of Ethics provided under the regulation made under the Act, declaring that they do not have a conflict of interest in the procurement requirement.

(ii) Evaluation criteria (Regulation 7)

- ✓ The evaluation of a bid shall be conducted in accordance with the evaluation criteria stated in the Public Procurement and Disposal of Public Assets (Rules and Methods for Procurement of Supplies, Works and Non Consultancy Services) Regulations, 2014 and in the bidding document.
- ✓ An evaluation committee shall not, during an evaluation, make an amendment or addition to the evaluation criteria stated in the bidding document, and shall not use any other criteria other than the criteria stated in the bidding document.
- ✓ The evaluation criteria shall assess—
 - the compliance of the bid with the statement of requirements;
 - the ability of the bidder to perform the proposed contract; and

- the ability of the bid to meet the objectives of the procurement.
 - ✓ The evaluation criteria shall not be drafted in a way that restricts competition, except where this is necessary to meet the objectives of the procurement or where the preference or reservation scheme is applied.
- (iii) A bid shall be administratively compliant where—
- ✓ the bid is submitted in the required format;
 - ✓ the financial bid is submitted separately;
 - ✓ the signature and authorization to submit bids is in accordance with the instructions in the bidding documents;
 - ✓ a bid securing declaration, if required, is submitted in the correct format;
 - ✓ the validity of the bid is correct; and
 - ✓ The additional documentation that is required is submitted.
- (b) Linkage of the annual budgets to the national development plan-Accounting Officer requirements.

An Accounting Officer shall not include in the budget estimates for any project which is not listed in the Public Investment Plan (PIP) that is linked to the National Development Plan or which cannot be financed by private sector or public private partnership in a manner satisfactory to the Government.

An Accounting Officer shall ensure that:

- ✓ Only approved integrated development plans are implemented.
 - ✓ Financial resources required by the National Development Plan are consistent with ceilings indicated in the Medium Term Expenditure Framework.
 - ✓ Development projects are implemented in the order of priority.
 - ✓ A mechanism for implementation of development and recurrent budgets is established.
 - ✓ Mechanism of reviewing any new development projects before implementation is established.
 - ✓ Development projects are reviewed and approved by the Development Committee as part of the PIP before being included in the budget.
 - ✓ The involvement of the private sector in the financing and implementation of big development projects through public private partnerships is to the extent that it promotes efficiency and has minimum financial risk to the Government.
- (c) Role of Parliament in the National Annual budget formulation, execution and reporting.

The Constitution establishes a Parliament/ Legislature to carry out legislative oversight and representation function. Specifically and in the context of PFM, Parliament is responsible for:

- ✓ Enacting the finance legislation;
- ✓ Scrutiny and appropriation of annual budget estimates;

- ✓ Approving borrowings by the Government; and
- ✓ Oversight through the oversight committees of Parliament, examining the Auditor General's reports and recommending appropriate action.

Solution 3

(a)

Relevant standard is IPSAS 23—Revenue from Non-Exchange Transactions

Journal entries

	Dr	Cr
	Shs 'billion'	Shs 'billion'
On initial recognition		
Bank	250	
Conditional grant (DANIDA)		250
Year 1		
Conditional grant (DANIDA)	52.5	
Revenue – Non-exchange transaction		52.5
Year 2		
Conditional grant (DANIDA)	157.5	
Revenue-Non-exchange transactions		157.5

In the statement of financial position

	Year 1	Year 2
	Shs 'billion'	Shs 'billion'
Assets:		
Bank	197.5	40
PPE	52.5	210
Liabilities		
Conditional grants	197.5	40
Net assets/ equity		
Surplus	52.5	210

In the statement of financial performance

	Shs 'billion'	Shs 'billion'
	Year 1	Year 2
Revenue from non-exch transaction	52.5	157.5

Workings

	Drainage (40%)	School (60%)
Revenue proportion (Shs 250 billion)	100	150
Year 1	25%	18.30%
	$(25/100) \times 100$	$(2/15 \times 150) + (150/15 \times 6/8)$
	<u>25</u>	<u>27.5</u>
Year 2	80%	86.60%
	80	130
Less year 1 revenue	<u>25</u>	<u>27.5</u>
	55	102.5

(b)

Relevant standard is IPSAS 5—Borrowing Costs

Weighted average interest rate

	Principal	Interest	Debt Proportion	Weighted Average
Loan	Shs 'billion'			
Exim Bank	10	8%	0.27	0.021
Citi Bank	2	10%	0.05	0.005
World Bank	<u>25</u>	5%	0.68	<u>0.034</u>
	37			6%

The rate of interest for determining borrowing costs will be 6%

The financial statements shall disclose:

- ✓ The accounting policy adopted for borrowing costs;
- ✓ The amount of borrowing costs capitalized during the period; and
- ✓ The capitalization rate used to determine the amount of borrowing costs eligible for capitalization (when it was necessary to apply a capitalization rate to funds borrowed generally).

(c)

Relevant standard is IPSAS 32—Service Concession Arrangements: Grantor
Service concession arrangements

SMC reclassifies the waste disposal plant into the service concession asset (SCA) at its fair value of Shs 40.5 billion when the service concession agreement is signed with GML. The asset is recognized when there is addition to or major modification.

Depreciation is taken annually ($40.5/20 = \text{Shs } 2.025$ billion for year 1 and increased by Shs 466.667 million from year 2-10.

As consideration for the service concession asset, Solot Metropolitan Council (SMC) recognizes a liability under the grant of a right to the operator model for granting GML the right to collect fees of Shs 120 million in years 2–10. The liability is recognized as the asset is recognized (Liability Shs 4.2 billion)

The liability is reduced over years 2–10, and SMC recognizes revenue on that basis.

Books of account

	Cost Shs 'billion'
Assets	
SCA	40,500
Assets	Cost
Assets	Shs 'billion'
SCA	<u>44,700</u>
Current liabilities	
Financial liability	
Non-current	
Financial liability	
	Shs 'billion'
Revenue -SCA	456
Working	
Financial liability	

Cost of major development	4,200
Interest 12%	<u>504</u>
	4,704
Less payment (80 x 12)	<u>960</u>
	<u>3,744</u>
Current	960
Non-current	<u>2,784</u>
Revenue recognized (4,200-456)= 3,744	

Disclosure requirements for SMC:

- (a) A description of the arrangement;
- (b) Significant terms of the arrangement that may affect the amount, timing, and certainty of future cash flows (e.g., the period of the concession, re-pricing dates, and the basis upon which re-pricing or re-negotiation is determined);
- (c) The nature and extent (e.g., quantity, time period, or amount, as appropriate) of:
 - (i) Rights to use specified assets;
 - (ii) Rights to expect the operator to provide specified services in relation to the service concession arrangement;
 - (iii) The carrying amount of service concession assets recognized at the end of the reporting period, including existing assets of the grantor reclassified as service concession assets;
 - (iv) Rights to receive specified assets at the end of the service concession arrangement;
 - (v) (v) Renewal and termination options;
 - (vi) Other rights and obligations (e.g., major overhaul of service concession assets); and
 - (vii) Obligations to provide the operator with access to service concession assets or other revenue-generating assets; and
- (d) Changes in the arrangement occurring during the reporting period.

Solution 4

REPORT

From: Consultant
To: Management, OPB
Date: Examination date
Subject: Guidance to management and staff of OPB on various aspects

1.0 Introduction

Following the request by management, this memorandum is intended to give guidance on various aspects as follows:

2.0 Steps for successful implementation of the FAIMS

The fixed assets and inventory management systems (FAIMS) are asset management and accounting tools designed specifically for public sector entities tailored to the specific workflow and regulatory needs of sector.

✓ Preparatory step

This involves preparation of the preliminary concept design including an institutional and organizational assessment, analysis of the key problem areas and ongoing programs, feasibility study, design project and draft project proposal, formal approval of the project and securing government approval and funding.

✓ Design

This involves developing functional specification, outlining information technology strategy including hardware and organizational issues and preparing tender documents for soliciting responses from vendors.

✓ Procurement

This involves identification of a supply/vendor through the issuing of tenders for hardware, software and associated requirements to prospective vendors, evaluation of bids and award of contracts to successful vendor.

✓ Implementation

This step includes configuration analysis and specifying any additional information technology infrastructure, and communication requirements, detailed business process and gap analysis, mapping required functionality to package and identifying and specifying detailed parameters, customization, procedural changes, detailed action plan for phased implementation and pilot running of the system.

It also involves determining training needs and conducting training of human resource, pilot running-parallel running of the system and resolving initial problems and evaluating system performance for roll-out.; rolling out the system to other entities, phasing implementation of additional modules, strengthening of internal system support and phasing out consultant/contractor support.

3.0 Likely benefits that can accrue to OPB by implementing FAIMS

- ✓ Maintenance
The system provides entities with the capabilities needed to enhance assets performance, create optimal maintenance schedule and reduce total assets related costs hence benefits of increased fixed assets reliability.
- ✓ Inventory/warranty
Entities gain the technology to consistently achieve a higher return on assets and hence increase service delivery. Fixed assets management system optimize processes associated with materials, purchasing, warranty/claims and requisitions management in order to reduce assets related costs without reducing productivity and service delivery.
- ✓ Reliability and risk management
They assist the entities gain a comprehensive overview of their assets through enhanced enterprise-wide visibility. Fixed assets management systems allow entities to efficiently monitor and improve assets performance across multiple locations in order to maintain productivity, service delivery, comply with a growing number of regulations and reduce overall costs.
- ✓ Strategic planning
The system allows entities to easily view and analyze critical information in real time resulting from simplified and streamlined consolidated assets-related data. This positively impacts on service delivery through developing and attaining strategic performance goals.
- ✓ Uptime
They enable effective forecast of performance of entities' assets. FAIMS increases uptime by providing advanced capabilities to quickly detect and repair assets, as well as, determine reasons for failure in order to help maximize the use of the assets. This in turn ensures increased availability and reliability of assets for service delivery.

4.0 The TSA Framework

4.1 Objectives of the Treasury Single Account:

- ✓ To strengthen the institutional capacity both at the Ministry of Finance, Planning and Economic Development and votes for better day to day cash and debt management;
- ✓ To eliminate the need for cash rationing which affects service delivery. This will also tackle the issue of low absorption of funds; and
- ✓ Limit the number of Bank Accounts operated by Government Agencies
- ✓ Eliminate operational inefficiency and costs associated with maintaining multiple accounts across multiple financial institutions
- ✓ Establish an efficient disbursement and collection mechanism for Government funds.

4.2 Responsibilities of the Accountant General's Office in TSA framework:

- ✓ Approves and regulates the opening and closure of any bank account under the TSA framework.

- ✓ Issues guidelines for banking, accounting and cash management under this framework.
- ✓ Configuration and management of cash management arrangements on the IFMS.
- ✓ Has management responsibility for the UCF and the Treasury Cash Holding Accounts.
- ✓ Issues periodic spending ceilings on TSA accounts.
- ✓ Formats and transmits payment instructions to Bank of Uganda for settlement.
- ✓ May disallow payment requests in accordance with the PFMA, 2015.
- ✓ Monitoring TSA accounts and investigates any exceptions in a timely manner
- ✓ Regular reconciliation of the Treasury Cash Holding Account
- ✓ Maintains external debt data (back office)
- ✓ Oversee exercise to rationalize number and use of bank accounts.

5.0 The Code of Conduct and Ethics for Public Officers in regard to communication of information

- ✓ A Public Officer is a custodian of official information that comes into his or her possession in the course of his or her duty in the Public Service. The release of such information must be guided by the laws relating to rights of access to information as prescribed in the Official Secrets Act and other relevant laws that may be enacted from time to time.
- ✓ A Public Officer shall continue to maintain secrecy and confidentiality of official information even after he or she has left the Public Service. Such information shall not at any point in time be used against the government.
- ✓ A Public Officer shall not at any time engage himself or herself in loose talk and make unguarded statements.
- ✓ A Public Officer shall not publish any official information in any document, article, book, play, film or otherwise without explicit permission from the Responsible Officer.
- ✓ For Royalties, Patents and Copyrights, a Public Officer shall notify his or her Responsible Officer if he or she creates what is believed to be an invention.
- ✓ A Public Officer shall not communicate with the media on issues related to work or official policy without due permission from the authorizing officer.
- ✓ Official information will be released to the media by officials who have been authorized to do so according to the laid down procedures
- ✓ A Public Officer is prohibited from writing or disseminating anonymous and malicious letters and printing of graffiti intended to demean the image of Government or public institution, public officer or any other person.
- ✓ A Public Officer shall not use official information acquired in the course of official duties to advance personal gain.

6.0 Conclusion

Many benefits will accrue to OPB by implementing the FAIMS and improved performance by staff will be realised by the implementing the requirements of the Code of Conduct and Ethics for Uganda Public Service.