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## Method Of Cash Basis Of Accounting And The Value For Money Concept

Cash basis of accounting is an accounting method that recognizes revenues and expenses when cash is received or paid. This means that revenue in the income statement is recorded only when, a customer pays for a product or service, and expenses are recorded only when businesses make payment. Non-cash transactions such as unrealized gains or losses, the incurrence of liabilities, and the consumption of services potential of long-term assets are excluded in the cash basis of accounting. Also, capital and revenue items have been treated in the manner in the cash basis of accounting. Under the cash basis of accounting, taxes are not paid on cash yet to be received, and also, depreciation is not charged because the cost of an asset is written off at acquisition.

The accrual basis of accounting, on the other hand, is a method of accounting that recognizes revenue on the income statement when it is earned and not merely when cash is received. Also, expenses are recognized when they are incurred regardless of when cash payments are made. Once the right to receive a benefit is established or goods or services are received, they are considered expenses.

In a nutshell, the accrual basis of the accounting method records revenues and expenses when they occur regardless of when cash is exchanged. Taxes are paid regardless of when cash is received and also, depreciation is treated as an expense in the come statement under the accrual basis of accounting.

Considering the two methods of accounting above, I will recommend the application of the accrual basis of accounting for the preparation of financial statements in the public sector. This is because,

Firstly, the accrual basis of accounting adheres to Generally Accepted Accounting Principles (GAAP). The public sector should adopt the accrual basis of accounting because it is preferred by GAAP. Entities that use the accrual basis of accounting have their financial statements deemed to be more accurate as compared to the cash basis of accounting. This is true because transactions reflect when they actually occurred and not when money is exchanged.

Secondly, the accrual basis of accounting allows for easy planning. Since the public sector does a lot of planning, it will be advisable for them to use the accrual basis of accounting. Planning is made easy because revenues and expenses are accounted for within the right accounting period they occur. This will enable the public sector to create a suitable budget for easily considering their estimated revenues and expenditures.

Lastly, the accrual basis of accounting presents an accurate cash flows. When the public sector uses accrual basis of accounting, it will be able to record all transactions including those that go beyond one accounting year in its financial statements regardless of when cash is received. Accrual basis of accounting presents accurate cash flows because, transactions that occur without exchange of cash are recorded the accounting year they occur.

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## QUESTION 2

The value for money concept maybe defined as, making the most out of resources used to achieve organizational objectives, plans and policies. Value for money goes beyond minimizing the cost of inputs but also maximizing the ratio of output delivered from input as well as achieving the intended results of a service or project. Value for money is all about keeping a balance between; economy, efficiency, and effectiveness known as the 3Es. In other words, value for money is the favorable combination of cost, quality, and sustainability to meet the requirement of a project or program. There is said to be quality achieved in the case of the Accra Metropolitan Assembly if, the reduction in litter dropping program is executed at the lowest cost of resources needed.

Although, at the end of the first year, it was observed that the programme achieved 95% of it outcomes and the officials were even declared victory against litter, value for money was not achieved fully when compared to the Tema Metropolitan Assembly. The Accra Metropolitan Assembly would have achieved value for money than the Tema Metropolitan Assembly if they had adhered to the following;

Firstly, the Accra Metropolitan Assembly should have engaged other stakeholders like the Tema Metropolitan Assembly for their opinions on the programme to understand the approach they used to achieve their results that is, overcoming litter dropping at the lower cost. They should have discussed with the other stakeholders about the proposals they invited, the vendor as well as the cost they incurred. This would have helped the Accra Metropolitan Assembly to set cost limits and follow the best practices the other metropolitan assembly achieved.

Secondly, the economy would have been better achieved if all the Metropolitan Assemblies worked together as one centralized system in executing the litter dropping reduction program. This is because, the same vendors would have been used for all the Metropolitan Assemblies, which would have been cheaper and at the same time, achieved the same outcomes. This is termed the economy of scale.

Additionally, the Accra Metropolitan Assembly should have selected the proposal with the least cost, which is proposal 1 of GHC 20 million. The Accra Metropolitan Assembly could have also negotiated with the vendor for lower prices for the same quality and quantity of resources.

Moreover, pre- agreed standards and measures should be discussed with the vendors while giving them a contract in case the vendor is unable to achieve the quality parameter or expectation, penal consequences should have been agreed upon as part of the contract.

Last but not least, the manager should not have been allowed to go cost overrun. This may not encourage managers to achieve the best-reduced cost for the same level of outcome. The budget should have been pushed downward to achieve the desired outcomes at budget cost. The Accra Metropolitan Assembly could have maintained some buffer without spelling it out to the manager.

In conclusion, The Accra Metropolitan Assembly was able to achieve the effectiveness of the program because, they were able to reduce litter dropping by 95% but they could not achieve efficiency, economy and equity. They could not achieve efficiency when compared to the Tema

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Metropolitan Assembly because, comparing the input and outcomes of the two Metropolitan Assemblies, the cost of resources the Accra Metropolitan Assembly used was higher than that of the cost of resources the Tema Metropolitan Assembly used yet they all produced the same outcomes. The Accra Metropolitan Assembly failed in economy too. This is true because the cost of resources they used was not the minimum cost of resources. They could have negotiated for lesser cost of resource like the Tema Metropolitan Assembly. They could not achieve equity too. This is because they were not fair in apportioning the resources to the areas. The resources should have been shared in a manner that the outcomes would be the same for every place but, more attention was given to the disadvantaged parts of the Metropolitan Assembly which improved more in terms of reduction in litter droppings than the wealthier places.