THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

PUBLIC SECTOR ACCOUNTING AND FINANCE
2019- Solutions to Pilot Questions- Set 2

SOLUTION 1

a. Federal Republic of Wazobia

Federation account for the month January 2019

Revenue	₦ million	₦ million
Crude oil sale		350,000
Domestic crude oil receipts		445,000
Miscellaneous oil receipts		105,000
Royalty on crude oil		101,000
Royalty on gas		95,000
Rentals on oil field		87,000
Gas flared penalty		77,000
Petroleum profit tax		650,000
Companies income tax		225,000
Other non oil taxes		255,000
Import duties		255,000
Export duties		125,000
Custom penalty charge		115,000
Excise duties		320,000
Total revenue		3,205,000
Less cost of collections		
Nigeria Customs Service	57,050	
Federal Inland Revenue Service	19,200	76,250
Net income before derivation		3,128,750
13% derivation paid to oil producing states		248,300
Net total for distribution		2,880,450
Sharing	%	
Federal government	52.68	1,517,421.06
State governments	26.72	769,656.24
Local governments	20.6	593,372.70
Total distribution		2,880,450

Workings

Nigeria Custom Service cost of collection

Details	₦' million
Import duties	255,000
Export duties	125,000

Custom penalty charge	115,000
Excise duties	320,000
Total	**815,000**
7% X ₦815,000,000,000	57,050
Federal Inland Revenue Service cost of collection	
Companies income tax	225,000
Other non oil taxes	255,000
Total	480,000
4% X ₦480,000,000,000	19,200
13% Derivation paid to Oil Producing States	
Crude oil sale	350,000
Domestic crude oil receipts	445,000
Miscellaneous oil receipts	105,000
Royalty on crude oil	101,000
Royalty on gas	95,000
Rentals on oil field	87,000
Gas flared penalty	77,000
Petroleum profit tax	650,000
Total	1,910,000
13% X ₦1,910,000,000,000	248,300,

b. Maiko state government

Statement of financial performance for the year ended

31 December 2018

Revenue	₦'m	₦'m
Federation account allocation		115,000
VAT allocation		35,000
Grants from Federal Government		13,500
Internally generated revenue		39,000
Grant from donor agency		10,000
Miscellaneous income		24,500
Interest on investment		4,000
Profit on sale of building		1,500
Total		242,500
Expenditure		

Personal emoluments	50,000	
Maintenance of premises	2,000	
Consolidated revenue charges	13,000	
Overhead expenses	10,000	
Interest on loans	5,000	
Depreciation - Buildings	2,750	
- Motor vehicle	11,600	
- Equipment and furniture	4,050	
Miscellaneous expenses	15,000	
Total expenditure		113,400
Surplus for the year		129,100
Consolidated Revenue Fund b/f		32,500
Consolidated revenue Fund c/f		161,600

Maiko State Government

Statement of financial position as at 31 December 2018

Assets	Cost	Accum. Dep.	Nbv
Non-current assets	₦'m	₦'m	₦'m
Land and buildings	150,000	16,750	133,250
Equipment and furniture	27,000	12,550	14,450
Motor vehicles	58,000	23,600	34,400
Total non-current assets	235,000	52,900	182,100
Long term investments			75,000
Current assets (working 1)			24,000
Total assets			281,100
Non- current liabilities:			
Long-term loan		100,000	
Current liabilities (working 2)		19,500	

Total labilités	119,500
Net assets	261,600

Net long term loan/equity:

Consolidated revenue fund	161,600
Long-term loan	100,000
Total long term loan/equity	261,600

Workings

		₦'m
i..	Current assets b/f	15,500
	Add: Proceeds from sale of building	4,500
	Interest received	4,000
		24,000
ii..	Current liabilities b/f	14,500
	Loan interest	5,000
		19,500

c. Calculation of ratios on summary of budget to actual for 2018 and 2017.

S/N	Description	2018		2017	
			Ratio		Ratio
i.	Statutory allocation: FAAC	1,996,950/2611780	0.76:1	1,672,390/1,879,920	0.89:1
ii.	Value added tax allocation	79,120/76120	1.04:1	76,440/74380	1.03:1
iii.	Internally generated revenue	37630/89240	0.42:1	37,440/23380	1.60:1
iv.	Total recurrent expenditure	1,247,035/1112159	1.12:1	792,195/862002	0.92:1
v.	Total capital expenditure	1,77,080/890684	1.32:1	907,300/606892	1.49:1

Marking guide

		Marks	Marks	Marks
a.	Federation account			
	Heading	¼		
	Calculation of total revenue (16 ticks (@ ¼ mark each)	4		

	Calculation of cost of collection (3 ticks (@ ¼ mark each)	¾		
	Calculation of net income before derivation (1 tick (@ ¼ mark each)	¼		
	Calculation of 13% derivation (1 tick (@ ½ mark each)	½		
	Calculation of net total for distribution (1 tick (@ ¼ mark each)	¼		
	Calculation of amount distributed among the Federal, States and Local Governments (6 ticks (@ ½ mark each)	3		
	Calculation of total distribution (2 ticks (@ ½ mark each)	1	10	
	Workings			
	Calculation of Nigeria Custom Service cost of collection(6 ticks (@ ¼ mark)	1½		
	Calculation of Federal Inland Revenue Service cost of collection (4 ticks (@ ¼ mark)	1		
	Calculation of 13% derivation paid to oil producing states (10 ticks (@ ¼ mark)	2½	5	15
b.	Statement of financial performance			
	Heading	¼		
	Calculation of total revenue (9 ticks (@ ¼ mark each)	2 ¼		
	Calculation of total expenditure (10 ticks (@ ¼ mark each)	2 ½		
	Calculation of surplus for the year (2 ticks (@ ¼ mark each)	½		
	Calculation of Consolidated Revenue Fund carried forward (2 ticks (@ ¼ mark each)	½	6	
	Statement of financial position			
	Heading	¼		
	Calculation of non-current assets (12 ticks (@ ¼ mark each)	3		
	Calculation of long term investments and current assets (2 ticks (@ ¼ mark each)	½		
	Calculation of total assets (1 ticks (@ ¼ mark each)	¼		
	Calculation of total liabilities (3 ticks (@ ¼ mark each)	¾		
	Calculation of net assets (1 ticks (@ ¼ mark each)	¼		
	Calculation of net assets/equity (4 ticks (@ ¼ mark each)	1	6	
	Workings			

	Calculation of current assets (4 ticks (@ ¼ mark each)	1		
	Calculation of current liabilities (4 ticks (@ ¼ mark each)	1	2	14
	Calculation of ratios on summary of budget to actual for 2018 and 2017			
	Heading		1	
	Calculation of statutory allocation ratios on summary of budget to actual for 2018 and 2017(4 ticks (@ ½ mark each)		2	
	Calculation of value added tax allocation ratios on summary of budget to actual for 2018 and 2017(4 ticks (@ ½ mark each)		2	
	Calculation of internally generated fund ratios on summary of budget to actual for 2018 and 2017(4 ticks (@ ½ mark each)		2	
	Calculation of total recurrent expenditure ratios on summary of budget to actual for 2018 and 2017(4 ticks (@ ½ mark each)		2	
	Calculation of total capital expenditure ratios on summary of budget to actual for 2018 and 2017(4 ticks (@ ½ mark each)		2	11
	Total			40

SOLUTION 2

a. Factors that militate against the budgeting system in Nigeria public sector:

The key factors, which militate against efficient and effective budget implementation in Nigeria public sector, are as follows:

i. **Human element-** Top management members see budgeting as restraining and challenging. They tend to develop a lot of apathy towards its adoption and implementation. The lack of probity and accountability of some operatives affect successful budgeting.
ii. **Uncertainties underlying data inputs-**There are a lot of uncertainties in the data used for the budget preparation. The projections in revenue accruing from oil may not be forthcoming in view of the vagaries in the world market. Lack of efficient database also hamstrings reliable forecasts.
iii. **The type of project for which budget is prepared-**How successful a budget will be depends on the type of project to which it relates. Some projects are popular while others are not. Those which are not popular may face stiff implementation problems.

iv. **The problem of inflation-** Inflation tends to erode the purchasing power of citizens. When the value of money is falling, budget implementation may run into problems. The revenue available will not be able to cover the expenditure.

v. **Political, social and cultural elements-** Each segment of the nation has its own cultural beliefs and taboos, which may take time to change. Introducing innovation may be met with stiff opposition, for example, a section of the country may not be willing to provide land for developmental purposes. Secondly, where there is political instability, budget implementation is at risk.

vi. **Changing government policies-** To implement a budget, a lot depends on the policy of government. For effective budget implementation, government policies have to be harmonised and consistent. Frequent changes of government policies affect budget implementation.

vii. **The problem of debt management and optimal use of limited resources-**There is the challenge of striking a balance between which parts of the nation's resources should be used for servicing debts and the amount that should be utilised for economic development.

viii. **Low agricultural output-** Agricultural output is fast dwindling because the method of farming is outdated and the younger population is not attracted to it. The resources that should be used for economic development are therefore being diverted to the importation of food items.

ix. **Fiscal indiscipline-** Most government officers are always maximising their budgets. Under the incremental budgeting system, they tend to expend the last naira available in a year's budget in order to justify the demand for increased allocation in the subsequent year.

b. Cost benefit analysis (CBA) is a technique for enumerating and evaluating the total social costs and total social benefits associated with economic projects, especially large-scale public investment projects, such as rail lines, irrigation projects, road construction projects, etc.

Road construction projects are public infrastructures that usually require gigantic public investment expenditure. They are also of immense benefits: primary and secondary benefits, tangible and intangible benefits; quantifiable and non-quantifiable benefits, benefits with, and without market values.

The probable problems that could arise in the measurement of the benefits of a major road construction project include the following:

(i) **Complete enumeration:** There is the challenge of having a complete enumeration of both primary and secondary benefits derivable from the road project. This is one of the principles or assumptions behind the framework of CBA and a critical requirement for the most rational public investment decisions. The task of obtaining data is one of the biggest hurdles in the practical application of CBA, especially in underdeveloped countries.

(ii) **Valuation of the benefits:** Apart from the issue of listing or complete enumeration, valuation of all the benefits, especially those relating to secondary benefits/ externalities /spill over benefits associated with the road project pose a great challenge. For instance, some of the benefits are non-quantifiable while some others are without market values e.g. beautiful scenery, pleasure in driving on good roads, safety of life and property, time saved on good roads, etc.

(iii) Attaching monetary values- The CBA is a technique that requires that all benefits identified be reduced to common yardstick, in this case, naira value. Even when the benefits are quantifiable and have market values, attaching monetary values to the benefits remains quite problematic in view of market imperfections. Consequently, the available market prices do not always reflect the true value of such benefits. Shadow prices, the alternative prices, are said to reflect intrinsic or true values for factors or benefits. Unfortunately, the determination of shadow prices is fraught with some difficulties and assumptions, for example, the availability of data to generate such prices.

(iv) Arbitrary discount rate- Road projects generally generate stream of benefits, occurring over a long period of time. The consideration of the time value of money necessitates the need for discounting. The issue is coming up with the optimum rate interest for which the benefits are to be discounted. If an arbitrary large discount rate is applied to calculate the net present value of benefits, it is not possible to effectively calculate the long-run results of a project like road construction. This equally applies to the internal rate of return of the project.

(v) Adjustment for risk and uncertainty- The problem of adjustment of risk and uncertainty involved in the project also arises. This is done in three ways: at the time of calculating the length of project life, the discount rate, and by making due allowance in benefits. All of these are not amenable to objective determination.

Marking guide

		Marks	Marks
a.	Identification of any five factors militating against the budgeting system in the public sector@ 1 mark each	5	
	Explanation of any five factors militating against the budgeting system in the public sector@ 1 mark each	5	10
b.	Definition of the cost benefit analysis (CBA)	1	
	Identification of any three probable challenges that should be addressed in the measurement of the benefits of a major road construction project@ 1½ mark each	4½	
	Identification of any three probable challenges that should be addressed in the measurement of the benefits of a major road construction project@ 1½ mark each	4½	10
	Total		20

SOLUTION 3

a. 'Public Private Partnership' (PPP) refers to collaborative activity between public and private sector organisations. The focus of PPPs is often to bring private finance and knowledge into public service provision.

PPP was originally introduced for the following reasons:

i. The involvement of private sector entities was intended to create efficiencies and economies of scale, due to fewer restrictions on procurement and reduced bureaucracy in the private sector;
ii. PPP can allow private sector knowledge and expertise to be utilised in the building and construction of a public sector asset; and
iii. PPP can allow risks of a project to be shared between the public and the private sectors.

PPP has been criticised for the following reasons:

i. Lack of transparency- As assets and liabilities are off-statement of financial position, it is difficult to assess the liabilities faced by the public sector;
ii. Lack of value for money- PPP arrangements make it difficult to establish the level of profits made by the private sector; and
iii. Risk transfer- Public sector entities have often found they have paid a high premium to transfer risk to the private sector. Experience has shown that, in the event of a failure of a private sector entity, the public sector is still exposed to risk. Therefore, it can provide poor value for money to pay an excessive premium to transfer risk from the public sector to the private sector.

b. Calculation of revenue, expenses and surplus to be recognised in the statement of financial performance

Details	To date	Recognised in prior month	Recognised in current month
	₦'million	₦'million	₦'million
First year			
Revenue (₦50billion x 0.25)	12,500		12,500
Expenses (₦41bilion x 0.25)	10,250		10,250
Surplus	2,250		2,250
Second year			
Revenue (₦52billion x 0.75)	39,000	12,500	26,500
Expenses (₦41.5billion x 0.75)	31,125	10,250	20,875
Surplus	7,875	2,250	5,625

Third year			
Revenue (₦52billion x 1)	52,000	39,000	13,000
Expenses (₦42.5billion x 1)	42,500	31,125	11,375
Surplus	9,500	7,875	1,625

Marking guide

		Marks	Marks
a.	Explanation of Public Private Partnerships (PPP)	2	
	Any **two** reasons why PPP has been introduced as an alternative to traditional procurement @ 2 marks each	4	
	Any **two** criticisms or disadvantages of PPP @ 2 marks each	4	10
b.	Heading	2	
	Calculation of revenue, expenses and surplus to be recognized to date in the statement of financial performance for the three years @ 1/3 per tick for 9 ticks	3	
	Calculation of revenue, expenses and surplus to be recognized in the previous month in the statement of financial performance for the three years @ 1/3 per tick for 6 ticks	2	
	Calculation of revenue, expenses and surplus to be recognized in the current month in the statement of financial performance for the three years @ 1/3 per tick for 9 ticks	3	10
	Total		20

SOLUTION 4

The reasons why the level of Nigerian public debt has maintained an upward trend for some years include the following:

(i) **Rapidly increasing population**: With annual population growth rate of about 3%, Nigeria has one of the fastest growing population in the world. The need arises for government borrowing to expand public enterprises and public utilities to cater for the welfare of the people;

(ii) **Huge and persistent budget deficit**: The government has been adopting deficit budgets to stimulate the economy, especially after its taxing capacity has been stretched to the limit;

(iii) **Balance of payments (BOP) disequilibrium**: Excessive reliance on foreign resources to maintain domestic production activities and on foreign goods and services beyond the nation's foreign exchange earning capacity also explains the increase in Nigeria's public debt.

(iv) **Implementation of development programmes**: To promote sustainable economic growth and development usually require provision of new and upgrading of existing social and economic infrastructures like roads, railways electricity, schools and hospitals. The tax revenue of government has never been sufficient to execute such projects, hence the resort of government to borrowing;

(v) **Economic instability**: Public debt of the internal type is usually contracted to control inflation. For example, the sale of treasury bills to mop up excess liquidity is a strategy to promote price stability. A stable economy naturally provides an enabling environment for economic growth and development;

(vi) **Natural disasters**: Government has the responsibility to provide relief to the victims of flood and fire disasters, and especially victims of sectarian violence and terrorists attacks. For example, internally displaced persons (IDP) camps created for victims of Boko-Haram insurgents are not normally adequately provided for in the national budgets. Hence, government usually contract public debt to take care of un-anticipated disasters;

(vii) **Fluctuations in government revenue**: Nigeria operates a mono-economy, depending largely on revenue from crude oil exports. Poor performance of crude oil in the international market usually triggers public borrowing to bridge the financial resources gap; and

(viii) **Debt – servicing**: New debt with favourable terms and conditions are usually incurred to service old debts with a view to reducing the burden of debt on the economy.

The following are some of the benefits associated with public debt:

i. **Economic growth and welfare improvement***:* This is achieved by the government if the borrowed funds are utilised to finance economically and socially viable projects such as infrastructural upgrade and poverty alleviation programmes;

ii. **Increased investment and employment opportunities:** The confidence of local and foreign investors in the economy would be boosted if public debt is used to control inflation. There would be more investments, creation of new jobs and greater output of welfare – enhancing goods and services;

iii. **Improvement of standard of living***:* This occurs when borrowed funds are used to create public works and transformation of the environment;

iv. **Reduction of income inequalities***:* This occurs if borrowed fund is spent on social securities and projects that are of more benefits to the lower income group such as expansion of primary healthcare centres, free feeding to pupils in public schools, and so on; and

v. **Investors on government securities becomes richer***:* Those who purchase government securities becomes richer as they acquire additional assets to boost their wealth portfolio.

b. Kokomaiko State Government

Cash budget for January to March 2019

	January	February	March
Receipts:	₦' mill	₦' mill	₦' mill
Bal b/f	1.30	5.55	(0.7)
Sales –November 2018	5	-	-
Sales –December 2018	15	10	-
Sales – January 2019	20	12	8
Sales – February 2019	-	21	12.6
Sales –March 2019	-	-	22.5
Monthly allocation	10	10	10
(A) Total receipts	51.3	58.55	52.40
Payments:			
Purchases- December 2018	7	-	-
Purchases- January 2019	20	5	
Purchases- February 2019	-	28	7
Purchases- March 2019	-	-	32
Overheads	18.75	26.25	30
(B) Total payments	45.75	59.25	69
(C) (Total receipts –Total payments) (A-B)	5.55	(0.7)	(16.6)

Marking guide

		Marks	Marks
a.	Identification of three major reasons for the increase in public debt in Nigeria @ 1 mark each	3	
	Explanation of three major reasons for the increase in public debt in Nigeria @ 1 mark each	3	
	Identification of two major benefits of increase in public debt in Nigeria @ 1 mark each	2	
	Explanation of two major benefits of increase in public debt in	2	10

	Nigeria @ 1 mark each		
b.	Heading	1	
	Calculation of total receipts (18 ticks @ ¼ mark each)	4½	
	Calculation of total payments (12 ticks @ ¼ mark each)	3	
	Calculation of Total receipts –Total payments(3 ticks @ ½ mark each	1½	10
	Total		20

SOLUTION 5

a. Federal Ministry of Health

Preparation of the relevant journal entries

Details	Dr. (₦)	Cr. (₦)	Remarks
Inventory account	1,500,000		Being recognition of the transaction in the books
Accounts payable account		1,500,000	
Accounts payable account	1,125,000		Being payment of 75% of the liability
Bank account		1,125,000	
Inventory account	1,000,000		Being recognition of the transaction in the books
Accounts payable account		1,000,000	
Accounts payable account	1,000,000		Being full payment of the liability
Bank account		1,000,000	
Stationery expense account	780,000		Being consumption of stationeries using FIFO method.
Inventory account		780,000	
Loss of inventory account	100,000		Being value of damaged inventory
Inventory account		100,000	

ii. The standard stipulates that the financial statements should 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 cost of sales;
- The amount of any reversal of any write-down that is recognised 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; and
- The cost of inventories recognised as an expense during the period or the operating costs applicable to revenues, recognised as an expense during the period, classified by their nature.

b. **Fiscal federalism** deals with the assignment or division of functions to the different levels or tiers of government and appropriate instruments that are used in carrying out these functions. Fiscal federalism may be in terms of **political federalism**, **which looks at the constitutional division of powers between the tiers of government**, and **administrative federalism**, which involves the delegation of functions to sub-national units or levels of government based on the guidelines and control created by higher levels of government (Federal or States).

National debt can be owed by a nation to its own citizens and it can also be owed by a nation to other nations depending on the type of debt whether internal debt or external debt.

Internal public debt: This is created when a government borrows money from its own citizens by selling bonds or long-term credit instruments. Internal debts include treasury bills, market stabilization schemes, ways and means advance, securities against small savings and so on.

External debt: This is created when a country borrows money from other countries or institutions abroad; and, the debt has to be paid back in the currency in which it is borrowed. Therefore, external debt can be obtained from foreign commercial banks, international financial institutions like IMF, World Bank and ADB among others.

Marking guide

		Marks	Marks
a.	Heading	2	
	Preparation of the relevant journal entries including narration (18 ticks @1/3 mark each	6	
	Identification of any four disclosure requirements in the financial statements as per IPSAS 12 on Inventories@ ½ mark each	2	10
b.	Definition of fiscal federalism	4	

	Explanation of the ownership pattern of the national debt	2	
	Distinction between external debt and internal debt @ 2 marks each	4	10
	Total		20

SOLUTION 6

a. The budgeting process is a cycle of events which occur sequentially every year and which result in the approved budget. In ministries and extra-ministerial departments, budget preparation and approval undergo three levels as discussed below

i. The ministerial or pre-treasury board phase

Before the issuance of the budget preparation guidelines, the Ministry of Budget and Planning (or the Ministry of Finance at the state level) receives policy pronouncements from the Presidency (or the state governor). The guidelines are subsequently issued by the Ministry of Budget and Planning or Finance, in form of a call circular. When the various ministries, extra-ministerial departments and agencies receive the call circular, a Committee on 'advance proposals' is set up. The committee, which acts as pre-treasury board is headed by the Permanent Secretary, Ministry of Budget and Planning (at the Federal Level) or Ministry of Finance, Budget and Planning (at the State Level). The committee (or Pre-Treasury Board) is charged with the appraisal of the various budget proposals received, in the light of fund availability. The requirements, having received provisional approval, are transmitted to the Presidency or Treasury Board (headed by the state governor).

Note: A call circular is issued by the budget department of the Ministry of Finance to all agencies of government, requesting them to submit their revenue and expenditure estimates for the succeeding year.

ii. Executive council phase

The draft estimates are presented to the cabinet members known as the Council of Ministers or the Executive Council (or Treasury Board) for further consideration and approval. Members of the Treasury Board are usually the Nation's President, Vice-President (Governor and Deputy Governor at the State), the Ministers (Commissioners at the State) and Permanent Secretaries of the Ministries of Finance, Works, Establishments and Training, Secretary to the Federal (or State) Government, Head of Service, Auditor-General for the Federation (or State), Accountant-General of the Federation (or State) and Planning and Budgeting Department (at the Federal Government level). The next destination of the draft estimates is the National Assembly or the State Legislature, in the form of Appropriation Bill.

iii. The National or State House of Assembly/Legislative Phase

The President of Nigeria or state governor presents his budget package and speech to the National Assembly (the joint meeting of the two Houses) or House of Assembly at the state government level. The meeting is known as the "budget session." In each House, there is a standing committee, which considers the budget proposals. Each arm of the National Assembly or the State House of Assembly approves the budgets. Where there are discrepancies or divergent opinions on some items, the two houses appoint a finance committee, which will harmonise the views. The resolution of the finance committee is final on the differences. The final stage is the consideration of the budget proposals at a joint session of the two houses of the National Assembly.

iv. Presidential/Governor's assent

The budget is sent back to the President or state governor for his assent. It subsequently becomes the Appropriation Act. Copies of the approved estimates are printed and distributed to the ministries, extra-ministerial departments and agencies of government.

b. The Bureau of Public Enterprises is responsible for the implementation of the Nigerian policy on privatization and commercialization. It also performs functions such as:

- Preparation of public enterprises approved by for privatisation and commercialisation;
- Ensuring the update of accounts of all commercialised enterprises for financial discipline;
- Advising on further public enterprises, which may be privatised or commercialised; and
- Ensuring the success of the privatisation and commercialisation exercise through effective post transactional performance monitoring and evaluation, and so on.

i. Public and private production

Public production is the production of goods and services by the government and public agencies that are not profit oriented. This goods and services are made available to the public at no cost while private production is the production of goods and services for profit because they have a much larger interest in knowing and controlling cost.

ii. Public goods and public choice

Public goods are goods or services that can be consumed simultaneously by everyone. They are non-rivalry and non-excludable. That is, consumption of one unit by one person does not decrease available units for consumption by another person and it is impossible to prevent anyone from enjoying the benefits. Examples include air, defence, roads, books, public parks etc.

A public choice is a choice made through political interaction of many people according to established rules. Elections are conducted in a way that each individual is allowed to vote.

Marking guide

		Marks	Marks
a.	Under the ministerial or pre-treasury board phase the following must be mentioned • Receipt of policy pronouncements from the Presidency (or the state governor) by Ministry of Budget and Planning • Issuance of call circular by Ministry of Budget and Planning • Setting up of pre-treasury board is headed by the Permanent Secretary, Ministry of Budget and Planning (at the Federal Level) or Ministry of Finance, Budget and Planning (at the state level) • Function of pre-treasury board • Transmission of budget proposal to the Presidency or treasury board (headed by the state governor).	1 1 1 1 1	
	Under the Executive Council Phase the following must be mentioned • Presentation of the draft estimates to the cabinet members known as the Council of Ministers or the Executive Council for consideration • Composition of Executive Council	1 1	
	Under the he National or State House of Assembly/Legislative phase the following must be mentioned • Presentation of budget package and speech by the President of Nigeria or state governor to the National Assembly (the joint meeting of the two Houses) or House of Assembly at the state government level • Setting up of committees to consider the budget proposal	1 1	
	Under Presidential/Governor's assent the following must be mentioned • Signing and printing of the budget	1	10
b.	Identification of any four roles being played by the "Bureau of Public Enterprises" in Nigerian economy@ 1 mark each	4	
	Distinguishing between public and private production @ 1½ mark each	3	
	Distinguishing between public goods and public choice @ 1½ mark each	3	10
	Total		20