

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

SKILLS LEVEL EXAMINATION – PILOT QUESTIONS 2025

PUBLIC SECTOR ACCOUNTING AND FINANCE

INSTRUCTION: YOU ARE REQUIRED TO ATTEMPT FIVE OUT OF SEVEN QUESTIONS IN THIS PAPER

SECTION A: COMPULSORY QUESTION (30 MARKS)

QUESTION 1

- (a) In Nigeria, a direct labor contract, also known as a direct labour agreement, means a client or organisation undertakes a project using its own in-house resources, including personnel and equipment, rather than contracting out the work to external parties. It is essentially a "do-it-yourself" approach to project procurement where the client manages the entire process, from design and planning to execution.

Required:

Explain **Three (3)** advantages and **Three (3)** disadvantages of direct labour contract. (9 marks)

- (b) Abeokuta State of Nigeria is contemplating executing a road project with a special allocation from the Federal Government. The Finance Management Committee that was set up received two proposals from the State Ministry of Works for the project execution. The first proposal is on executing the project by direct labour, while the second is through the award of contracts.

Option A: Direct labour

The direct labour option anticipates the project to be completed within nine months, from commencement and includes the following associated costs:

	Details	N ^o million
(i)	Direct materials	10,200
(ii)	Cost of hired supplementary labour	3,600
(iii)	Cost of fuel, lubricants and stationery specially for the project	1,800
(iv)	Estimated cost of repairs of vehicles, plants and equipment to execute the project	7,200
(v)	Estimated incidental costs (contingencies)	<u>1,200</u>

	Total anticipated costs	<u>24,000</u>
--	--------------------------------	----------------------

If the project is executed using direct labour, material savings of ₦2,700 million are expected. Additionally, the engineers have estimated the cost of repairing un-expired vehicles at ₦2,880 million by the end of the project year.

Option B: Contract award

The contract award fee is estimated to be ₦23,400 million.

Other relevant costs are:

	Details	N' million
(i)	Cost of job specification, bill of quantity, etc. to be paid for separately by the state government	1,200
(ii)	Cost of advertisement in respect of the invitation for public tenders	<u>600</u>
	Total	<u>1,800</u>

The contractor has agreed to finance and complete the project within six months of commencement, with a deferred payment period of up to four months thereafter.

If the project is executed through a contract award, the State Government can invest the estimated savings under direct labour option in a short-term deposit account at an annual interest rate of 15% up to the time the contract payment is due. The cost of job specification, bill of quantities and advertisement as in Option A remain unchanged.

Required:

Advise the Finance Management Committee on the option to accept. (11 Marks)

- (c) The Institute of Chartered Accountants of Nigeria Accountability Index (ICAN-AI) is a framework for assessing public finance management and public governance practices across the three tiers of the nation's public sector. However, the Accountability Index is the percentage of points earned across all available indicators. The ICAN Accountability Index (ICAN-AI) focuses on public finance management and assesses performance across five key pillars.

Required:

Explain the **Five (5)** pillars of ICAN Accountability Index (ICAN-AI). (10 marks)

(Total 30 marks)

SECTION B: YOU ARE REQUIRED TO ATTEMPT TWO OUT OF THE THREE QUESTIONS IN THIS SECTION (40 MARKS)

QUESTION 2

- (a) IPSAS 45 – Property, Plant, and Equipment, prescribes the accounting treatment for property, plant, and equipment so that users of financial statements can discern information about an entity's investment in its property, plant, and equipment and the changes in such investment. The principal issues in accounting for property, plant, and equipment are:

- the recognition of the assets;
- the determination of their carrying amounts; and
- the depreciation charges and impairment losses to be recognised in relation to them.

Required:

- (i) Outline how IPSAS 45 requires an entity to calculate the depreciation charge on its property, plant, and equipment, using accrual basis. (5 Marks)
- (ii) Explain, with reference to the requirements of IPSAS 45, the compensation for impairment of items of property, plant, and equipment. (5 Marks)
- (b) The Pan African Federation of Accountants (PAFA) is a regional organisation that brings together professional accountancy organisations from across Africa. The Pan African Federation of Accountants (PAFA) is made of 34 member countries of which Nigeria is a member.

Required:

Identify **Five** (5) objectives and **Five** (5) benefits of PAFA. (10 Marks)

(Total 20 marks)

QUESTION 3

- (a) A budget is a financial and or quantitative statement prepared and approved prior to a defined period of time for the purpose of attaining a given objective. Therefore, for a country, state or local government to achieve a reasonable level of success in accountability, transparency, performance evaluation and adherence to Appropriation Act, the application of unified chart of accounts is paramount.

Required:

- (i) Explain the **Six** (6) segments of budgeting with National Chart of Accounts (NCOA) in Nigeria. (9 Marks)
- (ii) Identify **Five** (5) steps for budgeting with National Chart of Accounts. (5 Marks)
- (b) Explain **Four** (4) reasons for budgeting. (6 Marks)

(Total 20 Marks)

QUESTION 4

- (a) The National or State Assembly authorises the disbursement of funds through the Appropriation Act. It is important to note that, given the substantial volume of public expenditure, effective oversight would be extremely difficult without the establishment of a Public Accounts Committee to monitor and review financial activities.

Required:

Explain **Four** (4) roles and **Four** (4) weaknesses of Public Accounts Committee. (12 Marks)

- (b) In Nigeria, local government expenditure control involves a system of budgeting, accounting, and auditing designed to ensure responsible and efficient use of public funds. This system aims to prevent misappropriation, corruption and mismanagement, ultimately contributing to improved governance and service delivery.

Required:

Explain **Four** (4) challenges of expenditure control of local governments and **Four** (4) measures to improve the local government expenditure control. (8 Marks)

(Total 20 Marks)

SECTION C: YOU ARE REQUIRED TO ATTEMPT TWO OUT OF THREE QUESTIONS IN THIS SECTION

(30 MARKS)

QUESTION 5

- (a) The macroeconomic objectives of the Nigerian government aim to achieve economic stability, growth, and prosperity, thereby improving the lives of its citizens. These objectives are crucial for creating a favorable business environment, attracting investments, and ensuring sustainable development.

Required:

Discuss **Three (3)** macroeconomic objectives pursued by the Nigerian government and **Two (2)** methods of government intervention to achieve these objectives. (10 Marks)

- (b) Sustainable development refers to an approach to development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Its significance lies in fostering long-term economic growth while ensuring social well-being and environmental protection.

Required:

Explain **Five (5)** features of sustainable development. (5 Marks)

(Total 15 Marks)

QUESTION 6

- (a) The Bureau of Public Enterprises (BPE) is a pivotal government agency in Nigeria, established in 1999. Operating under the Federal Ministry of Finance, the BPE plays a strategic role in reshaping Nigeria's economic landscape.

Required:

- (i) Identify **Two (2)** roles being played by the "Bureau of Public Enterprises" (BPE) in Nigerian economy. (4 Marks)
- (ii) Distinguish between the concepts of public and private production; and public goods and public choice. (6 Marks)
- (b) Sustainable Development is a development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Required:

Identify **Five (5)** sustainable development objectives. (5 Marks)

(Total 15 marks)

QUESTION 7

- (a) 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 rail lines, irrigation projects, road construction projects, etc.

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

Required:

Explain **Five (5)** probable challenges that should be addressed in the measurement of the benefits of a major road construction project, within the framework of the Cost Benefit Analysis (CBA). (10 Marks)

- (b) Nigeria faces numerous challenges in achieving the Sustainable Development Goals (SDGs).

Required:

Identify the **Five (5)** specific challenges of sustainable development goals in Nigeria. (5 Marks)

(Total 15 Marks)

SUGGESTED SOLUTIONS

Solution 1

(a) (i) Advantages of direct labour contracts include:

- **Greater control:** Direct labour allows for more control over the workforce, including hiring, training, performance management, potentially leading to better quality and productivity.
- **Potential for cost savings:** While the initial cost of direct labour may seem higher, the elimination of sub-contractor fees and the potential for increased efficiency and reduced errors can lead to cost savings over the long term.
- **Improved quality:** Direct supervision and control over the workforce can result in higher quality work, as there are fewer layers of communication and a more direct line of accountability.
- **Enhanced communication:** Direct labour facilitates better communication between management and the workforce, leading to faster problem-solving and improved project outcomes.
- **Access to specialised skills:** Direct labour can provide access to skilled personnel who may be unavailable through sub-contractors.

(ii) Disadvantages of direct labour contracts include:

- **Higher labour costs:** Direct labour can be more expensive than using sub-contractors, particularly if there are high unemployment rates or if the business needs to offer competitive salaries to attract skilled workers.
- **Potential for slowed project completion:** The process of hiring and managing a direct workforce can be slower than using sub-contractors, potentially leading to delays in project completion.
- **Reduced flexibility:** Direct labour may offer less flexibility compared to subcontracting, as it often requires businesses to maintain a larger workforce even during periods of fluctuating project demands.
- **Increased administrative burden:** Managing a direct workforce requires more administrative tasks, such as payroll, benefits, and compliance with labour laws.

- **Potential for labour disputes:** Direct labour contracts can lead to labour disputes if there are disagreements over wages, benefits, or working conditions.

(b)

Abeokuta State Government
Ministry of Works
Computation of the costs of proposed road project

Option A - Direct labour		
	N¹ million	N² million
Cost of direct materials		10,200
Cost of hired supplementary labour		3,600
Cost of fuel, lubricants, etc.		1,800
Cost of repairs of vehicles, plants and equipment to execute the project		7,200
Estimated incidental costs (contingencies)		<u>1,200</u>
		24,000
Less:		
Cost of materials conserved	2,700	
Unexpired vehicle repair cost	<u>2,880</u>	<u>(5,580)</u>
Effective cost of option A		<u>18,420</u>
Option B - Contract		
	N¹ million	N² million
Contract cost		23,400
Add:		
Cost of job specification, bill of quantity etc.	1,200	
Cost of advertisement	<u>600</u>	<u>1,800</u>
		25,200
Less:		
Interest earned due to money saved in option A (15% X 10/12 X N24 billion)		<u>(3,000)</u>
Effective cost of option B		<u>22,200</u>

Notes

- (i) The costs of job specification, bill of quantity, etc. represent the estimated incidental costs included in the total anticipated costs for option A.
- (ii) If the contract award is option B is adopted, the estimated savings of ₦24 billion can be invested over a 10-month period, which covers both the contract duration and the deferred payment period.

Decision:

The state government is advised to execute the job through direct labour, since the effective cost of that option of ₦18.48 billion is less than the contract sum of ₦22.2 billion.

(c) Five pillars of ICAN Accountability Index (ICAN-AI)

- (i) **Policy-based fiscal strategy and budgeting:** This pillar evaluates the quality of the fiscal framework, including the consistency and effectiveness of fiscal policies, budget planning processes, and the use of fiscal instruments.
- (ii) **Budget credibility:** This pillar assesses the reliability and transparency of the budget process, including the accuracy of budget forecasts, the clarity of budget documents, and the mechanisms for monitoring and evaluating budget performance.
- (iii) **Budget execution:** This pillar examines the efficiency and effectiveness of the budget implementation process, including the timely and accurate execution of the budget, the management of cash flow, and the monitoring of expenditures.
- (iv) **Accounting and reporting:** This pillar focuses on the accuracy, completeness, and timeliness of financial reporting, including the use of appropriate accounting standards, the preparation of financial statements, and the disclosure of relevant information.
- (v) **Asset and debt management:** This pillar assesses the sustainability of public finances, including the management of public assets, the control of public debt, and the effectiveness of debt management strategies.

Solution 2

- (a) (i) **How IPSAS 45 requires an entity to calculate the depreciation charge on PPE**

- Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.
- An entity allocates the amount initially recognised in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. For example, in most cases, it would be required to depreciate separately the pavements, formation, curbs and channels, footpaths, bridges and lighting within a road system. Similarly, it may be appropriate to depreciate separately the airframe and engines of an aircraft, whether owned or subject to a finance lease.
- A substantial component of property, plant, and equipment may share the same useful life and depreciation method as another major component of the same asset. In such cases, these components can be grouped together when calculating the depreciation charge.
- To the extent that an entity depreciates separately some parts of an item of property, plant and equipment, it also depreciates separately the remainder of the item. The remainder consists of the parts of the item that are individually not significant. If an entity has varying expectations for these parts, approximation techniques may be necessary to depreciate the remainder in a manner that faithfully represents the consumption pattern and/or useful life of its parts.
- An entity may choose to depreciate separately the parts of an item that do not have a cost that is significant in relation to the total cost of the item.
- The depreciation charge for each period shall be recognised in surplus or deficit unless it is included in the carrying amount of another asset.
- The depreciation charge for a period is usually recognised in surplus or deficit. However, sometimes, the future economic benefits or service potential embodied in an asset is absorbed in producing other assets. In this case, the depreciation charge constitutes part of the cost of the other asset and is included in its carrying amount. For example, the depreciation of manufacturing plant and equipment is included in the costs of conversion of inventories (see IPSAS 12). Similarly, depreciation of property, plant and equipment used for development activities may be included in the cost of an intangible asset recognised in accordance with the relevant international or national accounting standard dealing with intangible assets.

(ii) Compensation for impairment of PPE

- Compensation received from third parties for property, plant, and equipment that have been impaired, lost, or disposed of should be recognised in the surplus or deficit when the right to receive the compensation arises.
- Impairment or loss of property, plant, and equipment, related claims or compensation from third parties, and any subsequent acquisition or construction of replacement assets are distinct economic events. Each should be accounted for separately as follows:
 - ❖ impairments of items of property, plant and equipment are recognised in accordance with IPSAS 21;
 - ❖ derecognition of items of property, plant and equipment retired or disposed of is determined in accordance with this Standard;
 - ❖ compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in determining surplus or deficit when it becomes receivable; and
 - ❖ the cost of items of property, plant and equipment restored, purchased or constructed as replacement is determined in accordance with this Standard.

(b) (i) Objectives of Pan African Federation of Accountants (PAFA)

- **Strategic objectives**
 - ❖ **Promote professionalism:** Enhance the professionalism and competence of accountants in Africa.
 - ❖ **Harmonise accounting standards:** Promote the adoption and implementation of international financial reporting standards (IFRS) and International Public Sector Accounting Standards (IPSAS) across Africa.
 - ❖ **Capacity building:** Provide training and capacity-building programmes for accountants and auditors in Africa.
 - ❖ **Advocacy and representation:** Represent the interests of African accountants and promote the importance of the accountancy profession in economic development.
 - ❖ To create long term value and contribute to the realisation of the African Union agenda and the United Nations Sustainable Development Goals (SDGs).
 - ❖ To provide and support good governance, transparency and accountability in the public sector.

- **Specific objectives**
 - ❖ **Improve financial reporting:** Enhance the quality and transparency of financial reporting in Africa.
 - ❖ **Strengthen audit and assurance:** Promote high-quality audit and assurance practices in Africa.
 - ❖ **Develop professional ethics:** Promote and enforce professional ethics and standards among African accountants.
 - ❖ **Foster collaboration and networking:** Encourage collaboration and networking among African accountants and stakeholders.

(ii) **Benefits of Pan African Federation of Accountants (PAFA)**

- **Societal benefits**
 - ❖ **Economic growth and development:** By promoting sound financial management and reporting practices, PAFA contributes to economic growth and development in Africa.
 - ❖ **Financial transparency and accountability:** PAFA's efforts to promote transparency and accountability in financial reporting help to combat corruption and promote good governance.
 - ❖ **Investor confidence:** The adoption of international accounting standards and best practices promotes investor confidence in African markets.
 - ❖ **Job creation and skills development:** PAFA's capacity-building programmes and professional development initiatives contribute to job creation and skills development in the accountancy profession.
- **Additional benefits**
 - ❖ **Networking opportunities:** PAFA provides a platform for accountants from across Africa to network, share experiences, and collaborate.
 - ❖ **Research and thought leadership:** PAFA undertakes research and publishes reports on topics relevant to the accountancy profession in Africa, promoting thought leadership and innovation.
 - ❖ **Collaboration with international organisations:** PAFA collaborates with international organisations, such as the International Federation of Accountants (IFAC), to promote the interests of African accountants and advance the profession globally.

Solution 3

(a) (i) National chart of accounts structure for budgeting

- **Administrative segment:** The administrative classification identifies the entity that is responsible for the public funds' projection, such as the Ministry of Education, Health and Women Affairs or, at a lower level, schools and hospitals.
- **Economic segment:** The economic classification identifies the type of revenue and expenditure budgeted in a particular period, examples are salaries, goods and services, transfer and interest due.
- **Functional segment:** Functional classification, or classification by government functions, provides a detailed breakdown of the socio-economic objectives that a general government unit seeks to achieve through its expenditures. It organises government activities based on their overarching goals or intended purposes.
- **Programme segment:** The programme classification identifies various set of activities to meet specific policy objectives of the government, for example, pre-primary education, poverty alleviation and food security.
- **Funds segment:** The fund classification identifies the sources of funding government activities.
- **Geographical segment:** The geographical classification is used to identify the geographical location of an entity (MDAs) or a project so that an analysis of government budget along various zones, states and local government areas in the country can be done.

(ii) Steps for budgeting with national chart of accounts

All the six segments of the chart of accounts must be completed on the budget entries, even if the value for a given segment is inactive. Only numeric values can be budgeted. The following steps should be followed when using the chart of accounts for budgeting:

- identify the government institutions (cost and revenue centres) from the hierarchy of administrative list and codes provided in the chart of accounts;
- identify the economic items that would be executed during the fiscal year;
- identify the functions intended to be performed by government institutions (revenue and cost centres);

- identify the programmes intended to be carried out by the government institutions;
- determine the sources of financing the budgeted amount for each budget line; and
- identify the planned location for the economic transactions or government institutions.

(b) Reasons for budgeting

(i) Planning

Budgets are used for planning. Budgets are plans to which monetary values are assigned to what are to be achieved in a determinable future time, for example, a year.

(ii) Communication

Budgets assist in communicating horizontally and vertically. When budgets are being prepared, individuals, groups, communities and associations will inform government about their areas of interests. This is 'upward communication.' When the budget is approved, government reads it to the members of the public and publishes it in the newspapers. This is 'communicating downwards'.

(iii) Motivation

A budget is a target to be achieved. Government motivates the staff through promotions and improved conditions of service, for assisting in the full and successful implementation of the budget.

(iv) Standard for measurement of performance

Since a budget represents a performance target, it serves as a benchmark for evaluating outcomes. Actual results are recorded and compared against the set targets, and the implementation process helps management identify and focus on areas requiring attention.

(v) Evaluation of economic and social policy

Budgets are used to solve the social problems of inflation and unemployment.

(vi) Cost reduction technique

Evaluation of operations and procedures may result in cost savings.

Solution 4

(a) Roles and weaknesses of Public Accounts Committee (PAC)

(i) The roles of PAC

- To examine the accounts showing the appropriation of the sum granted by the National assembly or State House of Assembly to meet the public expenditure; together with the Auditor-General's report thereon.
- The Committee not only ensures that ministries utilise funds in line with the approvals granted by the National or State Assembly, but also reports instances of excessive spending, financial losses, wasteful expenditures, and lack of financial accountability within public services to the Assembly.
- The Committee shall, for the purposes of discharging that duty, have power to send for any person, papers and records and to report from time to time to the National Assembly or State House of Assembly and to sit notwithstanding the adjournment of the Assembly.
- To examine any accounts or report of statutory Corporations and Boards after they have been presented to the National Assembly or State House of Assembly and to report thereon from time to time to the Assembly.
- To enquire into the report of the Auditor General for the Federation/ State with respect to any pre-payment audit query which had been overruled by the Chief Executive of the Ministries, Extra-Ministerial Departments, Agencies or Court of the Federal/State Government and to report same to the State House of Assembly.
- The Committee has extended its scope of work in recent years to cover the examination of policy issues and accounts that are not part of the appropriation accounts.
- The PAC has no executive power, but it has gained a high reputation in recent years through its active role in interviewing and questioning officials, obtaining and examining records, collecting and screening evidence from witnesses and reporting findings to the State House of Assembly.

(ii) Weaknesses of PAC

The frequent turnover in the membership of the Public Accounts Committee (PAC):

- The general lack of interest among members of the legislative in accountability issues;
- The difficulty of distinguishing between issues of "policy" and of administration;

- The ambiguous role of public servants before the Public Accounts Committee (PAC), and within the broader accountability framework, remains a concern.
- Many members of the committee appear to lack interest in the assignment, and often do not possess the necessary background or experience to effectively investigate matters of government administration. Ignoring these issues in discussions about the committee may lead to an overestimation of its capabilities and the members' commitment to their roles.
- There is a lack of clear guidelines governing the testimony of public servants before the Public Accounts Committee (PAC). Although public servants frequently appear before the PAC and other committees, the expectations and protocols surrounding these appearances are often vague and poorly defined.
- The PAC relies heavily on the Office of the Auditor General (OAuG) for its agenda and the Auditor's investigative resources, to the extent that it has little capacity and perhaps little desire to conduct its own independent investigations.

(b) (i) Challenges to expenditure control of local government

- **Corruption and mismanagement:**
Corruption, including the misuse of public funds, remains a major challenge in local government administration.
- **Lack of transparency and accountability:**
Insufficient transparency in financial reporting and weak accountability mechanisms can hinder effective expenditure control.
- **Weak institutional capacity:**
Some local governments lack the necessary expertise and resources to effectively manage their finances.
- **State interference:**
State governments sometimes interfere in local government financial matters, hindering their autonomy and ability to manage their affairs effectively.

(ii) Measures to improve expenditure control of local government

- **Strengthening internal controls:**
Implementing robust internal controls, such as segregation of duties, approval processes, and regular internal audits, can help prevent fraud and waste.

- **Enhancing transparency and accountability:**
Promoting transparency in financial reporting, including the publication of annual financial statements and budget reports, can improve public scrutiny and accountability.
- **Capacity building:**
Investing in capacity-building programmes for local government staff can improve their skills and knowledge in financial management.
- **Promoting financial autonomy:**
Granting local governments greater financial autonomy can empower them to manage their affairs more effectively and reduce state interference.
- **Combating corruption:**
Implementing strong anti-corruption measures, including stricter enforcement of financial regulations and increased penalties for corrupt officials, can deter corruption.

Solution 5

(a) (i) **Macroeconomic objectives pursued by the Nigerian government and methods of government intervention**

There are five major macroeconomic objectives of government in any country, which are:

- **Full employment:** Full employment occurs when resources especially human capital is fully engaged in productive activities that will contribute to increase in the volume of output. It describes a situation where able-bodied people who are willing to work at the prevailing wage rate are able to find jobs. It does not imply 100 per cent employment but rather something around 95 per cent.
- **General price stability:** This indicates moderate fluctuations, both upward and downward, in the general price levels of goods and services over a specific period. An increase in price levels of less than 3% is generally considered beneficial, as it can stimulate investment, fostering economic growth and development. However, a higher increase, such as above 7%, leads to a significant erosion in the purchasing power of the currency, making it undesirable.
- **Equitable distribution of income:** A fair or equitable distribution of income means that the gap between the poor and the rich is not too wide but sufficient enough to

create incentive for hard work. There should be no concentration of wealth in the hands of few individuals but rather fair spread among the people.

- **Society desired growth rate:** This means a steady and non-inflationary increase in the volume of output, goods and services of the nation. It is the primary objective of the government to pursue policies that will enhance steady rise in national output that will not be inflationary.
- **Soundness of foreign account /balance of payment equilibrium:** The country's trade position with the rest of the world should be such that it will not permit or allow persistence deficit or surplus. Any deficit or surplus should be promptly addressed to avoid being regarded as unfair dealings with other countries.

(ii) **Methods of government intervention to achieve these objectives**

There are different methods of intervention by government in the course of achieving these objectives, which include:

- **Fiscal policy:** It relates to government expenditure and tax measures aimed at controlling aggregate demand and hence the economy. It may be expansionary or contractionary depending on the objective(s) being pursued. Its components include: taxation; expenditure; national budget; borrowing or public debt; and subsidies.
- **Monetary policy:** This refers to the conscious and deliberate action on the part of the monetary authorities to control money supply, the general credit availability, the direction and cost of credit within the economy. It is aimed at influencing intermediate variables for the purpose of manipulating target variables. It comprises the use of such measures as: open market operations; cash reserve ratio; liquidity ratio; bank rate/discount rate; credit ceiling; sectoral allocation; and mandatory deposit.
- **Price control/income policy:** It involves a set of regulations, rules, and guidelines implemented by the government to control price and income movements, primarily to prevent unjustified increases. The approach is based on the understanding that labor unions consistently push for wage hikes, which, if unchecked, can lead to economic distortions.
- **Commercial policy:** It relates to a set of rules and regulations that influence the country's imports and exports. It consists of tariffs, quotas and other forms of trade restrictions designed to promote exports, generate income and employment and

restrict imports in order to reduce commercial deficits.

(b) Features of sustainable development

Sustainable development encompasses a range of features that aim to balance economic growth, social equity, and environmental protection. Some key features are:

- **Intergenerational equity:** Ensures that the needs of the present are met without compromising the ability of future generations to meet their own needs.
- **Integration of environment and development:** This policy promotes the integration of environmental considerations into economic and social policies, recognising that healthy ecosystems are vital for sustainable development.
- **Inclusive economic growth:** Focuses on creating economic opportunities that benefit all segments of society, reducing inequality and ensuring that economic benefits reach marginalised communities.
- **Social inclusion and equity:** Emphasises the importance of social equity, aiming to ensure that all individuals have access to essential services, resources, and opportunities, regardless of their background.
- **Sustainable resource management:** Advocates for the responsible use of natural resources, promoting practices that ensure their availability for future generations, while minimising waste and environmental degradation.
- **Participatory governance:** Encourages stakeholder participation in decision-making processes, ensuring that the voices of local communities are heard and considered in development planning.
- **Resilience and adaptability:** This promotes the development of systems that can withstand environmental, economic, and social shocks, enhancing communities' ability to adapt to changing circumstances.
- **Technological innovation:** Encourages using sustainable technologies and practices that improve efficiency, reduce environmental impact, and enhance the quality of life.

Solution 6

- (a) (i) The Bureau of Public Enterprises is responsible for the implementation of the Nigerian policy on privatisation and commercialisation. It also performs functions, such as:

- preparing public enterprises that have been approved for privatisation or commercialisation, ensuring they are adequately positioned for transition to private sector management or improved operational efficiency;
- ensuring the update of accounts of all commercialised enterprises for financial discipline;
- advising on further public enterprises, which may be privatized or commercialised; and
- ensuring the success of the privatisation and commercialisation exercise through effective post transactional performance monitoring and evaluation, and so on.

(ii) Differentiation between the concepts of public and private production; and public goods and public choice

- **Public and private production**

Public production refers to the creation of goods and services by the government and its agencies, typically driven by public interest rather than profit. These offerings are often provided free of charge to citizens. In contrast, private production is carried out by individuals or businesses with the primary goal of generating profit, which leads to a stronger emphasis on cost control and efficiency.

- **Public goods and public choice**

Public goods are those goods and services that can be enjoyed by everyone simultaneously. They are characterised by non-rivalry, meaning one person's use does not reduce availability for others and non-excludability, which means it is difficult or impossible to prevent anyone from accessing them. Examples include air, national defense, public roads, books in public libraries, and public parks.

A public choice refers to a decision made through collective political processes, involving the participation of many individuals in accordance with established rules. Typically, this is exemplified through elections, where each person is granted the right to vote and contribute to the outcome.

(b) Objectives of sustainable development

- (i) Eliminate poverty in all its forms, ensuring that all individuals have access to basic needs and opportunities for improvement.

- (ii) Foster inclusive economic growth that creates jobs, reduces inequality, and enhances living standards without compromising environmental integrity.
- (iii) Ensure equal access to resources, opportunities, and services for all individuals, promoting gender equality and the empowerment of marginalised groups.
- (iv) Protect and restore ecosystems, conserve biodiversity, and manage natural resources sustainably to maintain the planet's health.
- (v) Promote resource efficiency and reduce waste, encouraging sustainable production and consumption patterns practices.
- (vi) Mitigate climate change impacts by reducing greenhouse gas emissions, enhancing resilience, and promoting adaptation strategies.
- (vii) Develop urban areas that are inclusive, safe, resilient, and sustainable, improving living conditions and reducing environmental footprints.
- (viii) Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all, fostering skills and knowledge for sustainable living.
- (ix) Strengthen partnerships at local, national, and global levels, fostering collaboration among governments, civil society, and the private sector to achieve sustainable development goals.
- (x) Ensure healthy lives and promote well-being for all ages, addressing health disparities and improving access to essential healthcare services.

Solution 7

- (a) 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 decision. 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 value, for example, 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.

(b) Specific challenges of sustainable development goals in Nigeria

- (i) **Insecurity:** Insurgency, terrorism, and general insecurity create instability and hinder economic development, making it difficult to implement SDG-related projects.

- (ii) **Corruption and mismanagement:** Corruption and the misuse of public funds divert resources away from development initiatives, undermining the effectiveness of SDG programs.
- (iii) **Poverty and inequality:** High poverty rates and significant socioeconomic disparities create a challenging environment for achieving inclusive development goals, according to a paper on RePEc.
- (iv) **Monoculture economy:** Nigeria's heavy reliance on oil revenue leaves the economy vulnerable to global price fluctuations and hinders diversification efforts, making it harder to achieve sustainable economic growth.
- (v) **Inadequate education and infrastructure:** Lack of quality education, inadequate infrastructure (including basic water and sanitation), and access to technology hinder human development and economic progress.
- (vi) **Rapid population growth:** Rapid population growth exacerbates existing challenges like resource scarcity and infrastructure strain, making it difficult to achieve sustainable development.
- (vii) **Implementation inefficiencies:** Lack of effective monitoring and evaluation mechanisms, coupled with poor coordination among different government agencies, can lead to ineffective SDG implementation.
- (viii) **Environmental degradation:** Deforestation, pollution, and climate change threaten Nigeria's natural resources and contribute to climate change, impacting various SDGs.
- (ix) **Social and political instability:** Ethno-religious conflicts, secessionist agitations, and political instability disrupt development efforts and create an environment where sustainable development goals are difficult to achieve.