



# KNUST

## KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY (KNUST)

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019



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## Council Members

Otumfuo Osei Tutu II  
Nana Effah-Apenteng Chairman  
Prof. (Mrs.) Rita Akosua Dickson  
Prof. Ellis Owusu-Dabo Pro-Vice Chancellor  
Mr. Andrews K. Boateng Registrar/Secretary  
Mr. Steve Anoff Amoaning-Yankson  
Ms. Hilda Haggar Ampadu  
Mr. Alex Quaynor  
Prof. Rexford Assasie Oppong  
Dr. Abdul Samed Muntaka  
Alhaji Yakub Ahmed Bin Abubakar  
Dr. Kweku Agbesi  
Prof. Charles Ofosu Marfo  
Mr. Samuel Sesah  
Nana Agyei Baffour Awuah

Chancellor

Vice Chancellor

Government Appointee  
Government Appointee  
Government Appointee  
Convocation Representative, Professorial  
Convocation Representative, Non-Professorial  
Representing CHASS/Member  
Representing the Alumni/Member  
Representing UTAG/Member  
Representing SRC/Member  
Representing NCTE/Member

## Solicitors

Registered office

KNUST Legal Department

KNUST Accra Rd, Kumasi  
Ashanti Region

## Independent auditor

Ghana Audit Service  
P.O Box M96  
Ministries, Accra  
Ghana

## Bankers

Bank of Ghana  
GCB Bank  
Ecobank Ghana  
United Bank Of Africa  
Standard Chartered Bank  
CAL Bank  
Consolidated Bank Ghana  
Stanbic Bank  
Republic Bank  
Ghana International Bank  
ABSA Bank

# COUNCIL'S REPORT

The Council of Kwame Nkrumah University of Science and Technology ("the University") submits its report together with the audited financial statements of the University for the year ended 31 December 2019.

## Statement of the Council's responsibilities

The Council is responsible for the preparation and fair presentation of the financial statements comprising the statements of financial position as at 31 December 2019; the statements of financial performance; the statements of changes in net assets; statement of cash flows for the year then ended; and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes in accordance with International Public Sector Accounting Standards (IPSAS) and the Kwame Nkrumah University of Science and Technology (KNUST) Statute.

The Council's responsibilities include designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Council has made an assessment of the University's ability to continue as a going concern and has no reason to believe the University will not be a going concern.

## Principal activities

The principal activities of the University are to provide higher education, undertake research, disseminate knowledge and foster relationships with the outside persons and bodies. The strategic mandate of the University is derived from Science and Technology in its name.

## Results for the year

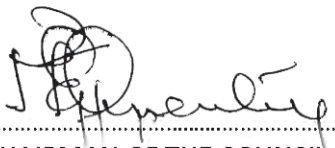
	31-Dec-2019	01-Jan-19
Deficit for the year	<b>11,046,448</b>	-
Total assets	<b>2,711,917,423</b>	2,654,720,312
Total liabilities	<b>403,260,288</b>	335,950,675

## Adoption of International Public Sector Accounting Standards (IPSAS)

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). The first date at which IPSAS was applied was 1 January 2019. The net effect on assets and liabilities of changes arising from the adoption of IPSAS are analysed below:

Total assets	2,654,720,312
Total liabilities	335,950,675
<b>Net effect</b>	<b>2,318,769,637</b>

By order of the Council

  
CHAIRMAN OF THE COUNCIL

  
VICE CHANCELLOR



# Independent Auditor's Report to the Council

## ***Report on the Audit of the Kwame Nkrumah University of Science and Technology's Financial Statements***

### **Opinion**

**W**e have audited the financial statements of the Kwame Nkrumah University of Science and Technology for the year ended 31 December 2019. These financial statements comprise; the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets, Statement of Cash Flows for the year then ended, and notes to the financial statements as set out on page 12 to 56 including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give true and fair view of the financial position of the Kwame Nkrumah University of Science and Technology as at 31 December 2019, and of its Statement of Financial Performance, Statement of Financial Position, Statement of Changes in Net Assets and Cash Flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) and in the manner required by the Kwame Nkrumah University of Science and Technology Act, 1961(Act 80&81)

### **Basis for Opinion**

We conducted our audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the University in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to our audit of the financial statements in Ghana, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

### **Responsibilities of the Council for the Financial Statements**

The Council is responsible for the preparation of financial statements under the Accrual concept in accordance with International Public Sector Accounting Standards (IPSAS), and legislations, and for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Council is responsible for assessing the University's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.

### **Auditor's Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Fundamental Auditing Principles (ISSAIs 100-999) of the International Standards for Supreme Audit Institutions (ISSAIs), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements..

## Independent Auditor's Report to the Council (Cont'd)

As part of an audit in accordance with IPSAS which is consistent with the Fundamental Auditing Principles (ISSAIs 100-999) of the International Standards for Supreme Audit Institutions (ISSAIs), we exercised professional scepticism throughout the audit. We also:

- ⊙ Identified and assessed the risks of material misstatements of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- ⊙ Obtained an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal controls.
- ⊙ Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- ⊙ Concluded on the appropriateness of the Council's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern.
- ⊙ Evaluated the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represented the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance regarding, among other matters, the planned, scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



**ELIZABETH BOTCHEY**  
**ASST. AUDITOR-GENERAL/CAD**  
**for: AUDITOR-GENERAL**

# STATEMENT OF FINANCIAL PERFORMANCE

(All amounts are in Ghana Cedis unless otherwise stated)

REVENUE	Notes	2019
<b>Revenue from non-exchange transactions</b>		
Government subvention and grants	6	<u>254,285,916</u>
		<u>254,285,916</u>
<b>Revenue from exchange transactions</b>		
Academic fees and other charges	7	263,248,175
Miscellaneous income	8	<u>43,515,431</u>
		<u>306,763,606</u>
<b>Total revenue</b>		<u>561,049,522</u>
<b>EXPENDITURE</b>		
Employees Compensation	9	224,581,697
Direct teaching and research	10	84,779,331
General education expenses	11	20,453,039
Municipal services	12	44,091,580
Production cost	13	14,008,350
General administration	14	29,251,791
Library expenses	15	918,462
Depreciation and amortisation	16	90,092,340
Miscellaneous expenses	17	2,234,616
Employee benefits cost (GUSSS & ex gratia)	30&31	<u>61,684,764</u>
<b>Total expenditure</b>		<u>572,095,970</u>
<b>Deficit for the year</b>		<u>(11,046,448)</u>
<b>Attributable to:</b>		
Owners of the controlling entity		(11,046,448)
Non-controlling interests		-
		<u>(11,046,448)</u>

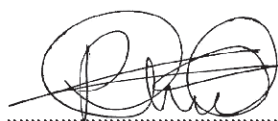
The notes on pages 11 to 41 are an integral part of these financial statements



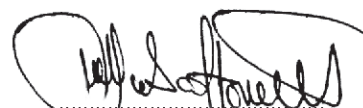
# STATEMENT OF FINANCIAL POSITION

(All amounts are in Ghana Cedis unless otherwise stated)

	Notes	At 31 December 2019	At 1 January 2019 (Restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	18	2,420,040,645	2,373,592,050
Long term investment	19	2,102,208	3,290,208
<b>Total non-current assets</b>		<b>2,422,142,853</b>	<b>2,376,882,258</b>
<b>Current assets</b>			
Inventories	21	13,968,787	11,308,107
Accounts receivables and prepayments	22	63,731,821	55,384,688
Short term investments	23	159,203,926	143,567,431
Cash and cash equivalents	24	52,870,036	67,577,828
<b>Total current assets</b>		<b>289,774,570</b>	<b>277,838,054</b>
<b>Total assets</b>		<b>2,711,917,423</b>	<b>2,654,720,312</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Employee benefit obligation	30	112,923,107	74,531,826
Provisions	31	97,207,819	73,914,337
<b>Total non-current liabilities</b>		<b>210,130,926</b>	<b>148,446,163</b>
<b>Current liabilities</b>			
Bank overdraft	25	-	1,556,577
Deferred income—Student fees	26	119,989,899	95,930,206
Accrued expenses	27	12,025,282	5,807,739
Sundry deposits	28	37,723,119	34,071,708
Accounts payable and accrued liabilities	29	23,391,062	50,138,282
<b>Total current liabilities</b>		<b>193,129,362</b>	<b>187,504,512</b>
<b>Total liabilities</b>		<b>403,260,288</b>	<b>335,950,675</b>
<b>Net assets</b>		<b>2,308,657,135</b>	<b>2,318,769,637</b>
<b>NET ASSETS</b>			
	Notes	At 31 December 2019	At January 2019 (Restated)
Accumulated fund	33	303,948,216	314,060,718
Capital reserve	34	2,004,708,919	2,004,708,919
<b>Total net assets</b>		<b>2,308,657,135</b>	<b>2,318,769,637</b>



Vice Chancellor:



Director of Finance:



# STATEMENT OF CHANGES IN NET ASSETS

(All amounts are in Ghana Cedis unless otherwise stated)

Year ended 31 December 2019

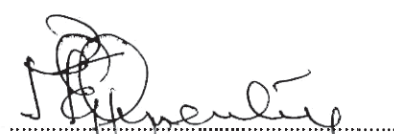
	Note	Accumulated surplus/(deficit)	Capital reserve	Total net asset/equity
<b>Opening balance as at 1 January</b>	34	555,365,612	-	<b>555,365,612</b>
Recognition of PPE at deemed cost in accordance with IPSAS 33		-	2,004,708,919	<b>2,004,708,919</b>
Recognition of 2018/2019 student fees deferred	34	(95,930,206)	-	<b>(95,930,206)</b>
Recognition of ex-gratia provision		(73,914,337)	-	<b>(73,914,337)</b>
Recognition of GUSSS liability		(74,531,826)	-	<b>(74,531,826)</b>
Recognition of fair value gain on Standard Chartered Bank shares	34	3,071,475	-	<b>3,071,475</b>
<b>Restated opening balance as at 1 January</b>		<b>314,060,718</b>	<b>2,004,708,919</b>	<b>2,318,769,637</b>
Deficit for the year		(11,046,448)	-	<b>(11,046,448)</b>
Prior year adjustment		933,946	-	<b>933,94</b>
<b>Balance at 31 December</b>		<b>303,948,216</b>	<b>2,004,708,919</b>	<b>2,308,657,135</b>

# STATEMENT OF CASH FLOWS

(All amounts are in Ghana Cedis unless otherwise stated)

	Note s	31 Dec. 2019
<b>Cash flows from operating activities</b>	32	<b>137,838,215</b>
<b>Net cash flows operating activities</b>		<b>137,838,215</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	18	(136,540,935)
Purchase of investments		(15,636,495)
Fair value loss on SCB share	17	1,188,000
<b>Net cash used investing activities</b>		<b>(150,989,430)</b>
<b>Cash flows from financing activities</b>		
Bank overdraft paid	25	(1,556,577)
<b>Net cash from financing activities</b>		<b>(1,556,577)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(14,707,792)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>67,577,828</b>
<b>Cash and cash equivalents at end of year</b>		<b>52,870,036</b>

The financial statements on pages 7 to 56 were approved by the Council on  
21st October, 2021 and signed on their behalf by:

  
CHAIRMAN OF THE COUNCIL

  
VICE CHANCELLOR

## 1. General information

The University of Science and Technology succeeded the Kumasi College of Technology which was established by a Government Ordinance on 6th October 1951. It was however, opened officially on 22nd January 1952 with 200 Teacher Training students transferred from Achimota, to form the nucleus of the new College. In December 1960, the Government of Ghana appointed a University Commission to advise it on the future development of University Education in Ghana, in connection with the proposal to transform the University College of Ghana and the Kumasi College of Technology into an independent University. The Kumasi College of Technology was thus transformed into a full-fledged University and renamed Kwame Nkrumah University of Science and Technology by an Act of Parliament on 22nd August 1961.

## 2. Summary of significant accounting policies

Prior to 2019 financial year end, the Council applied the modified cash basis of accounting as the basis for the preparation of the financial statements. However, on 1 January 2019, the Council adopted International Public Sector Accounting Standards as its financial reporting framework unless otherwise stated.

### 2.1 Basis of preparation and adoption of IPSAS

The financial statements of the KNUST have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). The financial statements have been prepared on a historical cost basis, except for the following where the Council of the University used fair value as the deemed cost as permitted by IPSAS 33 for first time adopters:

- (a) property, plant and equipment
- (b) financial instruments, and
- (c) defined benefit pension plan

The financial statements of the University for the year ended 31 December 2018, which were prepared in accordance with the modified cash basis accounting policies, have been restated in accordance with IPSAS 33, First-time Adoption of Accrual Basis IPSASs. The accounting policies under IPSAS have resulted in changes to the assets and liabilities recognised in the previous audited financial statements. Accordingly, the resulting changes have been reported in the statement of changes in net assets and the notes to the financial statements.

In the absence of an International Public Sector Accounting Standard that specifically applies to a transaction, other event or condition, management uses its judgement in developing and applying an accounting policy that results in information that is relevant to the decision-making needs of users of the University's financial statements. The preparation of financial statements in conformity with IPSAS requires the use of certain critical accounting estimates. It also requires the Council to exercise judgement in the process of applying the University's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

### 2.2 Adoption of newly published standards and interpretations and revised reporting standards and interpretations

#### a. New standards and amendments adopted by the University

##### IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards

This standard is applicable to an entity that adopts accrual basis IPSAS and prepares its IPSAS financial statements for the first time (first time adopter). The standard prescribes how a first-time adopter will measure

and recognise assets, liabilities, revenue and expenditure during the adoption of and the transition to accrual basis IPSAS. It also provides transitional exemptions that a first - time adopter can adopt towards the full compliance with accrual basis IPSAS. This standard is effective for financial statements beginning on or after 1 January 2019. The standard has been applied by the University in preparing its first IPSAS financial statements.

## **IPSAS 39, Employee Benefits**

IPSAS 39, 'Employee Benefits' was issued by the International Public Sector Accounting Standards Board in July 2016. The standard replaced IPSAS 25, 'Employee Benefits'. The key differences between IPSAS 39 and 25 are:

- ⊙ Removal of the "corridor approach" option that allowed an entity to defer the recognition of changes in the net defined benefit liability;
- ⊙ Introduction of the net interest approach for defined benefit plans;
- ⊙ Simplification of the requirements for contributions from employees or third parties to a defined benefit plan where those contributions are applied to a simple contributory plan that is linked to service;
- ⊙ Amendment of certain disclosure requirements for defined benefit plans and multi- employer plans; and
- ⊙ Removal of the requirements for Composite Social Security Programmes.

This standard is effective for financial statements beginning on or after 1 January 2018 and has been applied by the University in preparing its first IPSAS financial statements for the year ended 31 December 2019.

## **IPSAS 40, Public Sector Combinations**

IPSAS 40, 'Public Sector Combinations' was issued by the International Public Sector Accounting Standards Board (IPSASB) in January 2017. The objective of the standard is to improve the relevance, faithful representation and comparability of the information that a reporting entity provides in its financial statements about a public sector combination and its effects. This standard is effective for financial statements beginning on or after 1 January 2019 and is not applicable to the accounts of the University.

## **b. New standards issued but not yet effective**

### **IPSAS 36 (Amended), Long Term Interest in Associates and Joint Ventures**

Long-term Interests in Associates and Joint Ventures (Amendments to IPSAS 36) was issued in January 2019 by International Public Sector Accounting Standards Board (IPSASB). The objective is to make amendments to IPSAS to converge with the narrow-scope amendments to IAS 28, Investments in Associates and Joint Ventures, made by the IASB in Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) (issued October 2017).

An entity shall apply these amendments retrospectively in accordance with IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors, for annual financial statements covering periods beginning on or after 1 January 2023 with an option for earlier adoption. It has not been applied to the financial statements of the University for the year ended 31 December 2019.

## **IPSAS 41 - Financial Instruments**

IPSAS 41, 'Financial Instruments' was issued by the International Public Sector Accounting Standards Board (IPSASB) in August 2018. The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. This standard is effective for financial statements beginning on or after 1 January 2023 and has not been applied by the University in preparing its first IPSAS financial statements for the year ended 31 December 2019.

## IPSAS 42 - Social Benefits

IPSAS, 42 - Social Benefits was issued to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits as defined by the standard. The standard defines the information which should be provided by the reporting entity to help users of the financial statements and general-purpose financial reports assess:

- a. The nature of such social benefits provided by the entity;
- b. The key features of the operation of those social benefit schemes; and
- c. The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

This standard is effective for financial statements beginning on or after 1 January 2023 and have not been applied by the University in preparing its first IPSAS financial statements for the year ended 31 December 2019.

## 2.3 Foreign currency translation

### (a) Functional and presentation currency

Items included in the financial statements of the University are measured using the currency of the primary economic environment in which the University operates ('the functional currency'). The financial statements are presented in Ghana Cedis which is the University's functional and presentation currency.

### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlements of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance. Foreign exchange gains and losses that relate to borrowings are presented in the statement of financial performance within finance costs. All other foreign exchange gains and losses are presented in the statement of financial performance on a net basis within other income or other expenditure.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the statement of financial performance.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available - for - sale are included in the statement of financial performance.

## 2.4 Revenue recognition

The University's revenue consists of both revenue from exchange and non-exchange transactions. The University recognises revenue when the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; and specific criteria have been met for each of the University's activities. Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised on an accrual basis in the period in which it accrues.

exchange transactions mainly comprise government subvention and grants, research grants, donation and other revenues from non-exchange transactions.

## (a) Revenue from non-exchange transactions

Revenue from non-exchange transactions are transactions in which the University receives assets or services or has liabilities extinguished and provides no equal value or consideration directly in return. The University's revenue from non-exchange transactions mainly comprises government subvention and grants, research grants, donation and other revenues from non-exchange transactions.

### (I) Government subvention and grants

Government subvention and grants are recognized as revenue from non-exchange transaction in the financial year in which they accrue to the University. Government grants may include compensation of employees, goods and services, fixed assets.

Government grants for specific research purposes are recognized as revenue from non-exchange transaction in the financial period in which they accrue to the University and in accordance with the relevant grants and agreements. Such grants are presented separately as revenue on the face of the statement of financial performance. Government grants relating to specific expenses are not to be offset against the expense but are included in the disclosure for government grants.

### (ii) Donations

Revenue from other non-exchange transactions comprises donation to the University in cash or in-kind by organisations and individuals. Cash donations are recognised when received into the University's bank account while in-kind donations are recognised as revenue and assets when it is probable that future economic benefits or service potential associated with the donation will flow to the University and the fair value can be measured reliably. Donations in-kind are recognized as assets when the goods are received, or there is a binding arrangement to receive the goods. If donations in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced by the revenue recognized as the conditions are satisfied.

KNUST does not recognise services in kind. Where services in kind to the University include any of the following, disclosure is made in the financial statements:

- ⊙ Technical assistance from other governments or international organizations;
- ⊙ Persons convicted of offenses who may be required to perform community service for the University;
- ⊙ Services from volunteers; and
- ⊙ Services received from parents as teachers' aides or as board members.

## (b) Revenue from exchange transactions

Revenue received from exchange transactions are recognized in the statement of financial performance in the financial period in which it accrues to the University. Revenue from rendering of services is recognized to the extent that, the service has been provided (i.e. in accordance with the stage of completion at the reporting date), and the amount of revenue can be reliably measured. Where the outcome of the transaction cannot be estimated reliably, revenue is recognized only to the extent that expenses incurred are eligible to be recovered

### (i) Academic fees and other charges

Fees and charges are recognized equally for the two (2) semesters in an academic year.

### (ii) Revenue from other exchange transactions

#### (a) Sale of goods

Revenue from sale of goods are recognized when goods are sold and delivered to the customer.

## (b) Interest and rent income

Interest and rent income are accrued on a time proportion basis using the effective yield method.

## (c) Miscellaneous income

Internally generated income is recognized when the University receives assets or services or has liabilities extinguished and give approximately equal value to another entity in exchange.

## 2.6 Expenditure

Expenditures are decrease in economic benefits or service potential during the year in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets/equity, other than those relating to distribution to owners. Expenditure is recognised when incurred. The University's expenditure consists of employee benefits costs, operating expenditure (non- teaching staff costs, direct teaching and research, general education expenses, municipal services, production cost, general administration, library expenses), and depreciation and amortisation.

## (a) Employee benefits

### (i) Short-term employee benefits

Short-term employee benefits are consideration given by the University in exchange for service rendered by employees or for the termination of employment. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

### Defined contribution plan

The defined contribution plan is a pension plan under which the University pays fixed contributions to a scheme. The University's defined contribution plan is administered by Social Security and National Insurance Trust (SSNIT) and GUSSS. The University has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The defined contribution scheme is operated for all staff except for senior members. Obligations for contributions to defined contribution plans are recognised as an expense in the statement of financial performance when they are incurred.

### Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Only senior members of the University are eligible to contribute to the defined benefit plan - Ghana Universities Staff Superannuation Scheme (GUSSS). Both the University and employees contribute 13% and 25% respectively on employee's basic salary on a monthly basis. The level of benefits provided depends of members' length of service and their salary in the final years leading up to retirement. The defined benefit funds are actuarially valued annually on the basis of the projected unit credit method. Deficits identified are recovered Through lump sum payments or increased future contributions on proportional basis to all participating employees. The contributions and lump sum payments reduce the post- employment benefit obligation. Actuarial gains or losses are fully accounted for in the statement of financial performance in the year that they occur.

### Ex-gratia

Ex-gratia award is paid for every successful year of service per the Unified Conditions of Service for Unionised Staff. An employee qualifies only after a minimum service of ten (10) years with the University and on attaining voluntary or compulsory retiring age or dying in service. The basic salary is the basis for the calculation of the ex-gratia liability.



### (iii) Termination benefits

Termination benefits are recognised as an expense when the University is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the University has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

### (b) Operating expenditure

Expenditure from exchange transactions account for the majority of the University's expenditure. Expenditure from exchange transactions arising from the purchase of goods and services are recognised when the supplies are delivered and accepted by the University. All other expenditures are recognised when the transaction or event causing the expense occurs.

### (c) Borrowing costs

Borrowing costs of the University include interest and other expenditure incurred in connection with the borrowing of funds. Specifically, it comprises interest on overdraft facilities or short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent that they qualify as an adjustment to interest costs. Borrowing costs are recognised as expense in the financial period in which they are incurred.

## 2.7 Taxation

The University is exempt from the payment of income taxes.

## 2.8 Property, plant and equipment

Property, Plant and Equipment are initially recognized at cost. The cost of an item of property, plant and equipment comprises the purchase price (including taxes and excluding discounts and rebates) and any costs directly attributable to bringing the asset to the location and condition necessary for it to operate as intended by management. For items of property, plant and equipment acquired through non-exchange transactions (e.g. donations), the cost shall be their fair value at the date of the acquisition.

After initial recognition, all property, plant and equipment except land, are carried at historical cost less accumulated depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the University and its cost can be measured reliably.

Maintenance and Repairs costs of item of any property, plant and equipment, which do not meet the recognition criteria, are charged to the statement of financial performance as expenses.

After initial recognition, land, land improvements and buildings (whose fair value can be measured reliably) are carried at its revalued amount, being its fair value at the date of the revaluation, less any subsequent accumulated depreciation, and subsequent accumulated impairment loss. Assets in the course of construction (work in progress) are accounted for as cost, based on the value of architect's certificates and other direct costs incurred to the end of the year. Assets are not depreciated until they are brought to use

Depreciation on assets is charged on a straight-line basis estimated to write each asset down to its estimated residual value over the estimated useful life of the asset. Freehold land is not depreciated as it is deemed to have an indefinite useful life. The asset's residual value and useful life shall be reviewed and adjusted when appropriate, at each statement of financial position date. The depreciation charge for each year is recognised in the statement of financial performance.

The estimated useful lives and depreciation rates to be applied to each category for the current and corresponding periods are as follows:

Asset type	Depreciation rate	Useful lives (years)
Buildings, structures & infrastructure	2%	50
Production equipment	10%	10
Equipment	20%	5
Furniture and fittings	25%	4
Land improvement	10%	10
Computers & related equipment	25%	4
Motor vehicles	20%	5
Intangible assets	20%	5

The assets' residual values and useful lives are reviewed and adjusted when appropriate, at the end of each annual reporting date. An asset's carrying amount is written down immediately to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of financial performance.

The following table displays the capitalisation threshold to be applied to the various asset categories.

Asset type	Threshold in GHS
Land	Full Capitalisation
Land improvements	20,000
Buildings	Full Capitalisation
Building renovations	50,000
Infrastructure	20,000
Production equipment	5,000
Equipment	5,000
Constructed Equipment	5,000
Motor vehicles	Full Capitalisation
Furniture and fittings	1,000
Computer hardware, software and IT equipment	5,000
Donated assets	5,000

The University derecognises items of property, plant and equipment and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use.

Any gain or loss arising on derecognition of the asset is included in the statement of financial performance.

## 2.9 Heritage assets

Heritage assets include historical buildings and monuments, archaeological sites, conservation areas and nature reserves and works of art. Certain characteristics, including the following, are often displayed by heritage assets:

- ⊙ Their value in cultural, environmental, educational 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;
- ⊙ They are often irreplaceable, and their value may increase over time even if their physical condition deteriorates; and
- ⊙ It may be difficult to estimate their useful lives, which in some cases could be several hundred years.

The University does not have assets that qualify as heritage assets for disclosure in the financial statements.

## 2.10 Investment properties

Investment properties are measured initially at its cost and cost includes transaction costs associated with acquiring the property. Where an investment property is acquired through a non-exchange transaction, it is measured at its fair value at the date of receipt. Subsequent to initial recognition, investment properties are measured at fair value at each reporting date. A gain or loss arising from a change in the fair value of investment property is recognised in statement of financial performance for the year in which it arises.

Transfers are made to or from investment property by the University only when there is a change in use evidenced by:

- (i) Commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- (ii) Commencement of development with a view to sale, for a transfer from investment property to inventories;
- (iii) End of owner-occupation, for a transfer from owner-occupied property to investment property;
- (iv) Commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property; or
- (v) End of construction or development, for a transfer from property in the course of construction or development (covered by IPSAS 17) to the investment property.

When the University completes construction or development of a self-constructed investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying cost is recognised in the statement of financial performance. An investment property is derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the statement of financial performance in the period of the retirement or disposal.

## 2.11 Intangible assets

### (a) Acquisition of intangible assets

Intangible asset acquired separately is initially recognised at cost. The cost of a separately acquired intangible asset comprises the purchase price including import duties and non-refundable purchase taxes excluding trade discounts and rebates. The cost of intangible asset acquired in a non-exchange transaction is the fair value at the date of receipt. Following initial recognition, intangible asset is carried at cost less any accumulated

amortisation and impairment losses.

The useful life of the intangible asset is assessed as either finite or indefinite. An intangible asset with a finite life is amortised over its useful life. Intangible asset with finite useful life are amortised over a period of 4 years on a straight-line basis. Intangible assets shall not be amortised in the year of acquisition. Intangible assets with a finite useful life are assessed for impairment whenever there is an indication that the asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on an intangible asset with a finite life is recognised in the statement of financial performance.

Intangible assets with indefinite useful lives are not amortised. The useful lives of intangible assets with indefinite useful lives are reviewed at each reporting period to determine whether events and circumstances continue to support their indefinite useful life assessment. Where they do not, the change in the useful life assessment from indefinite to finite are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of financial performance when the asset is derecognised.

## **(b) Research and development costs**

Intangible assets arising from development will be recognized as assets if and only if all the following can be demonstrated:

- ✱ the technical feasibility of completing the asset so that the asset will be available for use or sale;
- ✱ its intention to complete and its ability to use or sell the asset;
- ✱ how the asset will generate future economic benefits or service potential;
- ✱ the availability of resources to complete the asset; and
- ✱ the ability to measure reliably the expenditure during development.

Following initial recognition of an asset, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognised immediately in the statement of financial performance.

## **(c) Internally generated goodwill**

Internally generated goodwill, including internally generated brands, mastheads, publishing titles, lists of users of a service and items similar in substance are not recognised as an asset because they are not an identifiable resource controlled by the University that can be measured reliably at cost.

## **2.12 Related parties**

The related parties of the University include key management personnel such as the Council Members and Key Principal Officers. The nature of the related party relationships, balances and transactions with related parties are disclosed in the notes to the financial statements.

## 2.13 Inventories

Inventory is recognised when it is probable that future economic benefits will flow to the University and the asset has a cost or value that can be measured reliably. Where the inventories are not for trading, they shall be valued at the lower of cost and replacement cost. Where inventory is acquired through non-exchange transactions (at no cost or at a nominal cost), the cost of the inventory is its fair value at the date of receipt.

Cost includes all direct expenses incurred in bringing the inventories to their current state under normal operating conditions. The cost of inventories (that are similar or interchangeable in nature) are calculated using the weighted average cost formula.

After initial recognition, inventories are measured at the lower of cost and net realisable value except where they are held for distribution or consumption in the production process of goods to be distributed at no charge or for a nominal charge. In this instance, the University measures inventory at the lower of cost and current replacement cost. Inventories are recognised as an expense when consumed in the ordinary course of operations of the University.

Damaged and obsolete inventories are written off. Provision for inventory losses during the year is charged to the statement of financial performance.

## 2.14 Accounts receivables

Receivables broadly includes student fee receivables, subvention receivables, staff debtors, and other receivables. Receivables generally represent outstanding moneys due for services provided. Management makes an estimate of the amount of total outstanding. In addition, management estimates the amounts that it expects to recover from the outstanding balances. A provision for impairment is raised based on these estimates. A provision for impairment of receivables is established when there is objective evidence that the University will not be able to collect all amounts due according to the original terms of the receivables.

Recoverables from non-exchange transactions comprises government subvention and grants as well as social benefit receivables that do not arise out of a contract. These recoverable are initially assessed at nominal amount or face value; that is, the receivable reflects the amount owed. These receivables are subsequently tested for impairment.

## 2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the University in the management of its short-term commitments.

## 2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of financial performance over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

## 2.17 Restricted funds

This is made up of project research funds, development funds and infrastructure project funds. They relate to amounts received from individuals and organisations purposely to support the University's research, scholarship schemes, physical projects and awards and for specific purposes mandated by the University. Contributions to the funds are recognised separately in restricted funds (deferred revenue) when received. Expenses incurred are charged to the statement of financial performance in the year that the cost is paid.

In each reporting period, an amount equal to the total costs incurred in respect of each item supported by restricted funds is transferred from the relevant reserve to match the costs in the statement of financial performance.

## 2.18 Accounts payable and accrued liabilities

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Accounts payable are recognised at fair value.

## 2.19 Provisions, contingent liabilities and contingent assets

### (a) Provisions

Provisions are recognised when the University 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. The amount recognised as provision is the best estimate of the expenditure required to settle the obligation at the statement of financial position date.

### (b) Contingent liabilities

The University does not recognise a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

### (c) Contingent assets

The University does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the University in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognised in the financial statements of the period in which the change occurs.

## 2.20 Financial instruments

### (a) Financial assets

#### (i) Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are recognised at fair value and subsequently classified as loans and receivables, held-to-maturity investments, available-for-sale financial assets or financial assets at fair value through surplus or deficit.

#### (ii) Subsequent measurement of financial assets

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics.

## Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The University's loans and receivables comprise borrowings from commercial banks, sundry receivables, receivables from staff loans, student fees, government subventions and interest on investments. Loans and receivables are initially recognised at fair value including any direct transaction costs. They are subsequently measured at amortised cost using the effective interest method less provision for impairment. The accounts receivables or recoverable, borrowings and cash and cash equivalents of the University are classified as loans and receivables.

## Held-to-maturity investments

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the University has the positive intention and ability to hold to maturity. The University classifies investment in fixed deposits and Government of Ghana treasury bills as held-to-maturity investments. They are initially recognised at fair value plus direct transaction costs and subsequently measured at amortised cost using the effective interest rate method.

## Available-for-sale financial assets

They are non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through surplus or deficit. Available-for-sale financial assets comprise of investment in shares and other quoted securities. They are initially measured at fair value including any direct transaction costs and subsequently measured at fair value. Fair value of available for sale investments are determined with reference to quoted prices in an active stock market. The University recognises changes in the fair value of available-for-sale financial assets in the statement of changes in net assets/equity.

### (iii) Financial assets at fair value through surplus or deficit

These are financial assets held for the purpose of selling in the short term. Financial assets at fair value through surplus or deficit are initially recognised at fair value and changes are recognised in the statement of financial performance.

#### (a) Financial assets

#### (iv) Derecognition

The University derecognises a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when: the rights to receive cash flows from the asset have expired or is waived or the University has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either: (a) the University has transferred substantially all the risks and rewards of the asset; or (b) the University has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

## (b) Financial liabilities

### (i) Initial recognition and measurement

All financial liabilities are recognised initially at fair value. Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or other financial liabilities at amortised cost.

### (ii) Subsequent measurement of financial liabilities

#### Financial liabilities at fair value through surplus or deficit

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through surplus or deficit. Financial liabilities



are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the University that are not designated as hedging instruments in hedge relationships as defined by IPSAS 29. Gains or losses on liabilities held for trading are recognised in the statement of financial performance.

#### **Other financial liabilities at amortised cost**

After initial recognition, other financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of financial performance when the liabilities are derecognised as well as through the effective interest method amortisation process. Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

#### **(iii) Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in statement of financial performance.

#### **(c) Determination of fair value**

For financial instruments traded in active markets, the determination of fair values of financial instruments is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the reporting dates.

The University uses widely recognised valuation models for determining fair values of non- standardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market- observable.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the University holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, related controls and procedures applied, the Council believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary - particularly in view of the current market developments.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

## **(d) Offsetting financial instruments**

Netting, where financial assets and liabilities are offset and the net amount reported in the statement of financial position, occurs if, and only if, there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize an asset and settle the liability simultaneously. In many cases, even though master netting agreements are in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the statement of financial position.

## **(e) Impairment of financial assets**

### **Assets carried at amortised cost**

The University assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets are impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Where there is objective evidence that an impairment loss on loans and receivables or held- to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that has (have) not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of financial performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed and the amount of the reversal is recognised in the statement of financial performance.

## **(e) Impairment of financial assets**

### **Available-for-sale financial instruments**

For available-for-sale financial instruments, the University assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered objective evidence in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the statement of financial performance. Reversals of impairment of equity shares are not recognised in the statement of financial performance. Increases in the fair value of equity shares after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as all other financial assets. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of interest replace. Reversals of impairment of debt securities are recognised in the statement of financial performance if in a subsequent year, the fair value of the debt instrument increases, and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of financial performance.

### 3 Financial risk management

#### (a) Overview of KNUST risk management

The University's activities involve taking on risks in a targeted manner and managing them professionally. The core functions of the University's risk management are to identify all key risks, measure these risks, manage the risk positions and determine capital allocations. The University's Audit Committee evaluates its risk management policies and governance process of the University and contribute to the improvement of that risk management and governance process. The University's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

#### (b) Risk management structure

**The Council of the University has overall** responsibility for the establishment and oversight of the University's risk management. The University's Audit Committee is responsible for risk management and reports to the Council. The University's risk management policies are established to identify and analyse the risks faced by the University, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The University aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Through its risk management structure, the University seeks to manage efficiently the core risks which affects its operations as an educational institution.

#### (i) Credit risk management

Credit risk is the risk of financial loss, should any student or market counterparties fail to fulfil their contractual obligations to the University. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers (students), including outstanding receivables and committed transactions. The University manages its credit risk by ensuring that it only transacts with reputable well-established financial institutions and constantly follows up on its receivables for payments to be made.

The University's maximum exposure to credit risk at the end of the reporting date is as follows:

	31-Dec -19	01-Jan -19
Cash and cash equivalents (excluding bank overdrafts)	52,870,036	67,577,828
Investments	159,203,926	143,567,431
Accounts receivable excluding prepayments	63,731,821	55,384,688
	<b>275,805,783</b>	<b>266,529,947</b>

The University has no credit risk exposures relating to off - balance sheet items i.e. statement of financial position.

At 31 December 2019, the University's credit exposures on accounts receivable were categorised as follows:

- Exposures that are neither past due nor impaired;
- Exposures that are past due but not impaired; and
- Individually impaired.

The balances for accounts receivable category have been analysed below:

	31-Dec -19	01-Jan -19
Neither past due nor impaired	63,731,821	55,384,688
Past due but not impaired	-	-
Individually impaired	-	-
Gross	63,731,821	55,384,688
Less allowance for impairment	-	-
<b>Net amount</b>	<b>63,731,821</b>	<b>55,384,688</b>

No accounts receivable was impaired at the reporting date.

Other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

## (ii) Liquidity risk

Liquidity risk is the risk that the University will not be able to meet its financial liabilities as they fall due. The University manages liquidity risk by maintaining adequate cash reserves and utilising short-term borrowing when necessary and approved by the Council.

Prudent liquidity risk management includes maintaining sufficient cash balances for the payment of obligations as they fall due. Management performs cash flow forecasting for the University's liquidity requirements on a monthly basis as required by the Public Financial Management Act, 2016 (Act 921) to ensure it has sufficient cash to meet its operational needs. In addition, the University's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets required to meet these obligations, monitoring balance sheet liquidity ratios against best practice, internal and external regulatory requirements and maintaining debt financing plans.

(All amounts are in Ghana Cedis unless otherwise stated)

The table below presents the amounts payable by the University under non-derivative financial liabilities and assets held for managing liquidity risk. The amounts disclosed in the table are the contractual undiscounted cash flows.

## (ii) Liquidity risk

At 31 December 2019

	0-3 months GH¢	3-6 months GH¢	6-12 months GH¢	Over 12 months GH¢	Total GH¢
<b>Liabilities</b>					
Deferred income					
Student fees	119,989,899	-	-	-	119,989,899
Accrued expenses	12,025,282	-	-	-	12,025,282
Sundry deposits	37,723,119	-	-	-	37,723,119
Accounts payable and accrued liabilities	23,391,062	-	-	-	23,391,062
<b>Total liabilities</b>	<b>193,129,362</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>193,129,362</b>
<b>Assets</b>					
Cash and cash equivalents	52,870,036	-	-	-	52,870,036
Investments	-	159,203,926	-	-	159,203,926
<b>Total assets held for managing liquidity risk</b>	<b>52,870,036</b>	<b>159,203,926</b>	<b>-</b>	<b>-</b>	<b>212,073,962</b>
<b>Net position</b>	<b>(140,259,326)</b>	<b>159,203,926</b>	<b>-</b>	<b>-</b>	<b>18,944,600</b>

At 1 January 2019

	0-3 months GH¢	3-6 months GH¢	6-12 months GH¢	Over 12 months GH¢	Total GH¢
<b>Liabilities</b>					
Bank overdrafts	1,556,577	-	-	-	1,556,577
Deferred income					
Student fees	95,930,206	-	-	-	95,930,206
Accrued expenses	5,807,739	-	-	-	5,807,739
Sundry deposits	34,071,708	-	-	-	34,071,708
Accounts payable and accrued liabilities	50,138,282	-	-	-	50,138,282
<b>Total liabilities</b>	<b>187,504,512</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>187,504,512</b>
<b>Assets</b>					
Cash and cash equivalents	67,577,828	-	-	-	67,577,828
Investments	-	143,567,431	-	-	143,567,431
<b>Total assets held for managing liquidity risk</b>	<b>67,577,828</b>	<b>143,567,431</b>	<b>-</b>	<b>-</b>	<b>211,145,259</b>
<b>Net position</b>	<b>(119,926,684)</b>	<b>143,567,431</b>	<b>-</b>	<b>-</b>	<b>23,640,747</b>

### Assets held for managing liquidity risk

The University holds a diversified portfolio of cash and highly liquid investment securities to support payment obligations and contingent funding in a stressed market environment. The University's assets held for managing liquidity risk comprise cash and investments (treasury bills and fixed deposits).

### (iii) Market risk

The University takes on exposure to market risk, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices. The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk. The Audit Committee is responsible for the development of detailed risk management policies and the Director of Internal Audit is responsible for the day-to-day implementation of those policies.

### iv) Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The positions of currencies held are monitored on a daily basis. The objective of monitoring the position in foreign currency is to manage foreign exchange risk due to movements in rates as well as changes in liquidity positions. The University's policy to manage foreign exchange risk is to hold foreign currency bank accounts for foreign denominated transactions. The University's exposure results from three (3) major currencies namely the Euro, Pound Sterling and United States Dollar.

#### At 31 December 2019

	USD	GBP	EUR	GHS	Total
<b>Assets</b>					
Cash and cash equivalents	21,721,952	492,870	2,432,558	28,222,656	52,870,036
Investments	-	-	-	159,203,926	159,203,926
Accounts receivables and prepayments	-	-	-	63,731,821	63,731,821
Inventories	-	-	-	13,968,787	13,968,787
Long term investments	-	-	-	2,102,208	2,102,208
Property, plant and equipment	-	-	-	2,420,040,645	2,420,040,645
<b>Total assets</b>	<b>21,721,952</b>	<b>492,870</b>	<b>2,432,558</b>	<b>2,687,270,043</b>	<b>2,711,917,423</b>
<b>Liabilities</b>					
Deferred income					
Student fees	-	-	-	119,989,899	119,989,899
Accrued expenses	-	-	-	12,025,282	12,025,282
Sundry Deposits	-	-	-	37,723,119	37,723,119
Accounts payable and accrued liabilities	-	-	-	23,391,062	23,391,062
Provision (ex gratia)	-	-	-	97,207,819	97,207,819
Employee benefits (GUSSS liability)	-	-	-	112,923,107	112,923,107
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>403,260,288</b>	<b>403,260,288</b>
<b>Net position</b>	<b>21,721,952</b>	<b>492,870</b>	<b>2,432,558</b>	<b>2,284,009,755</b>	<b>2,308,657,135</b>

(All amounts are in Ghana Cedis unless otherwise stated)

## At 1 January 2019

	USD	GBP	EUR	GHS	Total
<b>Assets</b>					
Cash and cash equivalents	27,813,069	217,458	1,774,536	37,772,765	67,577,828
Investments	-	-	-	143,567,431	143,567,431
Accounts receivables and prepayments	-	-	-	55,384,688	55,384,688
Inventories	-	-	-	11,308,107	11,308,107
Lo ng term investments	-	-	-	3,290,208	3,290,208
Property, plant and equipment	-	-	-	2,373,592,050	2,373,592,050
<b>Total assets</b>	<b>27,813,069</b>	<b>217,458</b>	<b>1,774,536</b>	<b>2,624,915,249</b>	<b>2,654,720,312</b>
<b>Liabilities</b>					
Bank overdraft	-	-	-	1,556,577	1,556,577
Deferred income	-	-	-	95,930,206	95,930,206
Student fees	-	-	-	5,807,739	5,807,739
Accrued expenses	-	-	-	34,071,708	34,071,708
Sundry Deposits	-	-	-	50,138,282	50,138,282
Accounts payable and accrued liabilities	-	-	-	73,914,337	73,914,337
Provision (ex gratia)	-	-	-	74,531,826	74,531,826
Employee benefits (GUSSS liability)	-	-	-	335,950,675	335,950,675
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>335,950,675</b>	<b>335,950,675</b>
<b>Net position</b>	<b>27,813,069</b>	<b>217,458</b>	<b>1,774,536</b>	<b>2,288,964,574</b>	<b>2,318,769,637</b>

The University's principal foreign currency exposures are to the Euro, Pound Sterling and United States Dollar. The table below illustrates the hypothetical sensitivity of reported deficit to a 15% (1 January 2019: 15%) decrease in the value of the Ghana Cedi against these foreign currencies at the year end, assuming all other variables remain unchanged. The sensitivity rate of 15% represents the Council's assessment of a reasonably possible change, based on historic volatility.

## Cedi weakens by 15%

## Impact on statement of financial performance

	31-Dec-19	01-Jan-19
US Dollar	3,258,293	4,171,960
Pound Sterling	73,931	32,619
EURO	364,884	266,180



Year-end exchange rates applied in the above analysis are GHS 5.53 (1 January 2019: GHS 4.82) to the US dollar, GHS 7.32 (1 January 2019: GHS 6.17) to the Pound Sterling, and GHS 6.21 (1 January 2019: GHS 5.51) to the Euro. The strengthening of the Ghana Cedi will produce symmetrical results.

#### (iv) Interest rate risk

Interest rate risk is the exposure of current and future earnings to adverse changes in the level of interest rates. Interest rate risk is managed by borrowing in fixed rate and also using the large size of the University to negotiate for better rates. The University does not have any outstanding borrowings.

#### 4 Fair value hierarchy

IPSAS 29 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the University's market assumptions. These two types of inputs have created the following fair value hierarchy:

- ✱ Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities (for example, Ghana Stock Exchange). All the University's shares were valued using level 1 fair value hierarchy.
- ✱ Level 2 - Inputs are quoted prices for the asset or liability, (other than those included in Level 1) that are observable either directly (that is, as prices) or indirectly (that is, derived from prices). Short term investments of the University were valued using level 2 fair value hierarchy.
- ✱ Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. Property, plant and equipment and investments properties of the University were valued using the level 3 fair value hierarchy.

This hierarchy requires the use of observable market data when available. The University considers relevant and observable market prices in its valuations where possible.

#### 5. Critical accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IPSAS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, 2019 and expenditure. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

##### 5.1 Impairment of non-financial assets (cash-generating assets)

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change, which may then impact management's estimations and require a material adjustment to the carrying value of tangible assets. The University reviews and tests the carrying value of assets when events or changes in circumstances suggest

that the carrying amount may not be recoverable. Cash-generating assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities.

If there are indications that impairment may have occurred, estimates of expected future cash flows are prepared for each group of assets. Expected future cash flows used to determine the value-in-use of tangible assets are inherently uncertain and could materially change over time.

The University reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that there may be a reduction in the future service potential that can reasonably be expected to be derived from the asset.

Where indicators of possible impairment are present, the University undertakes impairment tests, which require the determination of the fair value of the asset and its recoverable service amount. The estimation of these inputs into the calculation relies on the use of estimates and assumptions. Any subsequent changes to the factors supporting these estimates and assumptions may have an impact on the reported carrying amount of the related asset.

## 5.2 Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgment is required in establishing fair values. Judgment includes the consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

## 5.3 Held-to-maturity instruments

In accordance with IPSAS 29, the University classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the University evaluates its intention and ability to hold such investments to maturity. If the University were to fail to keep these investments to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity - the University is required to reclassify the entire category as available-for-sale. Accordingly, the investments would be measured at fair value instead of amortised cost.

## 5.4 Employee benefit obligations

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost include the discount rate, future salary increases and mortality rates. Any changes in these assumptions will impact the carrying amount of employee benefit obligations. The University determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the employee benefit obligations. In determining the appropriate discount rate, the University considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions.

Additional information is disclosed in note 30.

	2019
<b>5. Government subvention received</b>	
Subvention - Emoluments	213,912,202
Subvention - Service	26,699,829
Subvention - Investment	5,284,186
Book and Research Allowance	8,389,699
	<b>254,285,916</b>
<b>6. Academic fees and other charges</b>	
Academic facility user fees	196,770,882
Residential facility user fees	8,400,759
Other academic charges	10,748,465
Sale of admission forms	11,456,927
Revenue from other exchange transactions	35,871,142
	<b>263,248,175</b>
<b>7. Miscellaneous income</b>	
Academic fees	436,688
Affiliation fees	1,507,144
Donations	1,120,692
Farm Income	648,653
Hire of university facilities & equipment	2,954,628
Interest income	21,557,394
Medical Services Revenue	1,709,652
Other Income	12,175,693
Rental income	1,404,887
	<b>43,515,431</b>
<b>8. Employees Compensation</b>	<b>224,581,697</b>
<b>9. Direct teaching and research</b>	
Direct Teaching and Research Expenses	45,050,232
General Administration Expenses	13,706,648
General Education Expenses	14,795,964
Miscellaneous Expenses	302,434
Municipal Services	9,822,101
Library Expenses	33,885
Production Cost	1,068,067
	<b>84,779,331</b>

**5. General education expenses**

Admission, examination and graduation	18,955,690
Affiliation expenses	668,485
Printing & stationery	166,076
Students feeding cost	296,336
Student grant	340,974
Other teaching & learning materials	25,478
	<b>20,453,039</b>

**6. Municipal services**

Cleaning & sanitation	1,977,424
Electricity	21,545,963
Fire prevention	56,884
Fuel & lubricants	2,468,454
Protective clothing	115,767
Repairs & maintenance	10,903,915
Security services	529,480
Sports expenses	555,700
Water charges	5,937,993
	<b>44,091,580</b>

**7. Production cost**

Bar & canteen purchases	4,428,409
Factory expenses	4,090,247
Fuel & lubricants	42,715
Medical expenses	5,412,656
Repairs & maintenance	34,323
	<b>14,008,350</b>

**8. General administration expenses**

Audi expensest	265,341
Bank charges	219,195
Allowances and conference costs	3,624,046
Staff related expenses	4,422,940
Travel and subsistence	3,624,006
Other admin. Expenses	11,885,187
Internet & Other ICT Charges	5,211,075
	<b>29,251,790</b>

(All amounts are in Ghana Cedis unless otherwise stated)

**5. Library Expenses**

Library books

**918,464**

**6. Depreciation and amortization**

**90,092,340**

**7. Miscellaneous expenses**

Fair value loss on SCB shares

**1,188,000**

Clearing charges

**6,684**

GUSA games & related expenditure

**647,082**

Legal charges

**10,720**

Miscellaneous expenses

**1,600**

Official entertainment

**59,574**

Other charges & fees

**37,416**

Hall cloth expenses

**25,560**

Periodicals magazines & journals

**257,980**

**2,234,616**

(All amounts are in Ghana Cedis unless otherwise stated)

	Land	Buildings & Structures	Infrastructure	Land Improvement	WIP	Office Equipment & Computer equipment	Prod. equip.	Furniture, Fixtures & Fittings	Motor vehicles	Total
<b>Cost/revaluation</b>										
At 1 January	-	170,877,674	-	5,388,555	154,232,870	82,470,126	6,141,811	32,048,366	15,751,277	466,910,679
Restatement	593,930,000	1,354,327,000	-	-	-	29,066,747	5,750,503	6,040,446	15,594,223	2,004,708,919
<b>Restated opening balance 1-Jan 2019</b>	<b>593,930,000</b>	<b>1,525,204,674</b>	-	<b>5,388,555</b>	<b>154,232,870</b>	<b>111,536,873</b>	<b>11,892,314</b>	<b>38,088,812</b>	<b>31,345,500</b>	<b>2,471,619,598</b>
Additions	-	8,641,529	901,780	306,005	95,404,878	50,648,313	3,405,145	4,391,942	7,454,214	171,153,806
Disposals	-	-	-	-	(34,612,871)	-	-	-	-	(34,612,871)
<b>At 31 December Accumulated /Depreciation</b>	<b>593,930,000</b>	<b>1,533,846,203</b>	<b>901,780</b>	<b>5,694,560</b>	<b>215,024,877</b>	<b>162,185,186</b>	<b>15,297,459</b>	<b>42,480,754</b>	<b>38,799,714</b>	<b>2,608,160,533</b>
At 1 January	-	10,238,202	-	774,056	-	57,605,322	2,334,581	18,439,635	8,635,752	98,027,548
Charge for the year	-	30,685,033	24,650	569,456	-	38,604,592	1,771,618	11,775,004	6,661,987	90,092,340
Disposals	-	-	-	-	-	-	-	-	-	-
<b>At 31 December Net book value</b>	<b>-</b>	<b>40,923,235</b>	<b>24,650</b>	<b>1,343,512</b>	<b>-</b>	<b>96,209,914</b>	<b>4,106,199</b>	<b>30,214,639</b>	<b>15,297,739</b>	<b>188,119,888</b>
<b>At 31 December</b>	<b>593,930,000</b>	<b>1,492,922,968</b>	<b>877,130</b>	<b>4,351,048</b>	<b>215,024,877</b>	<b>65,975,272</b>	<b>11,191,260</b>	<b>12,266,115</b>	<b>23,501,975</b>	<b>2,420,040,645</b>
<b>At 1 January</b>	<b>593,930,000</b>	<b>1,514,966,472</b>	-	<b>4,614,499</b>	<b>154,232,870</b>	<b>53,931,551</b>	<b>9,557,733</b>	<b>19,649,177</b>	<b>22,709,748</b>	<b>2,373,592,050</b>

(All amounts are in Ghana Cedis unless otherwise stated)

**19. Long term investments**

Investment in SCB shares  
Long term loan

31 Dec. 2019	1 Jan. 2019
1,930,500	3,118,500
171,708	171,708
<b>2,102,208</b>	<b>3,290,208</b>

**20. Key management personnel remuneration**

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of KNUST and comprise the Council Members and Principal Officers. No benefits are paid directly or indirectly to close family members of key management staff. Council Members are not remunerated by the University. Below are benefits of Principal Officers.

Salaries and other employee benefits

**21. Inventory**

Printing and stationery items  
Academic gowns  
Cleaning and sanitation consumables  
Computers & general ICT accessories  
Drugs and medical consumables  
Food and drinks  
Furniture and fittings  
General maintenance consumables  
Live animals  
Laboratory consumables  
Hall cloth

31 Dec. 2019	1 Jan. 2019
207,996	1,342,314
3,534,379	4,157,485
328,186	329,960
1,291,326	9,205
2,088,962	1,766,170
4,229	4,230
1,425,000	-
4,481,002	3,058,409
172,685	154,850
435,022	460,989
-	24,495
<b>13,968,787</b>	<b>11,308,107</b>

**22. Accounts receivables and prepayments**

Subvention receivable  
GUSSS loan receivable  
Hospital receivables  
Interest receivables  
Other receivables  
Production units' receivables  
Project receivable  
Rent receivable  
Staff debtors  
Student association receivables  
University of Ghana overseas office  
General trade receivable

26,022,272	12,358,476
11,958,826	10,419,776
2,137,428	1,825,736
3,210,136	3,362,181
89,619	7,094,263
-	690,489
30,567	63,804
14,123	128,621
1,838,790	3,881,507
13,550,285	12,778,448
1,130,385	1,130,387
3,749,390	1,651,000
<b>63,731,821</b>	<b>55,384,688</b>



(All amounts are in Ghana Cedis unless otherwise stated)

## 23. Short term investments

Fixed deposit investments

**159,203,926** 143,567,431

## 24. Cash and cash equivalents

Cash at bank

**50,570,063** 67,536,816

Cash in hand

**2,299,973** 41,012

**52,870,036** 67,577,828

## 25. Bank overdraft

- 1,556,577

## 26. Deferred income

Student fees

**119,989,899** 95,930,206

## 27. Accrued expenses

Payroll liabilities

**8,093,098** -

Audit fees

**275,000** -

Ex gratia award

**222,684** -

Other accrued expenses

**3,434,500** 5,807,739

**12,025,282** 5,807,739

## 28. Sundry Deposits

Endowment Fund

**72,344** 132,234

Project Funds

**15,228,994** 23,711,681

Students Funds

**3,586,875** 2,773,935

Sundry Deposits

**18,834,906** 7,453,858

**37,723,119** 34,071,708

## 29. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities

**23,391,062** 50,138,282

(All amounts are in Ghana Cedis unless otherwise stated)

### 30. Employee benefit obligation

#### 30.1 Employee benefits schedule

##### Defined benefit obligation

	31 Dec. 2019	1 Jan. 2019
Balance at 1 January	188,625,706	237,912,475
Current Service Cost (excluding expenditure)	15,054,216	12,684,536
Net interest cost	39,889,237	40,259,917
Actuarial (gains) losses from change in financial assumptions	8,160,987	(90,019,620)
Return on Plan Assets excluding amounts in interest expense/(income)	-	-
Experience actuarial (gains)/ losses	1,110,158	(1,96 8,135)
Contributions paid by the member and other parties	10,958,517	10,127,445
Benefits paid	(18,635,960)	(20,370,911)
	<b>245,162,861</b>	<b>188,625,707</b>

##### Fair Value of Planned Assets

Balance at 1 January	114,093,881	88,286,421
Current Service Cost (excluding expenditure)	-	-
Net interest cost	24,147,783	14,757,225
Experience actuarial (gains) losses	(1,364,931)	16,199,032
Return on Plan Assets excluding amounts in interest expense (income)	(2,657,953)	(171,596)
Contributions paid by the employer	5,698,417	5,266,265
Contributions paid by the member and other parties	10,958,517	10,127,445
Benefits paid	(18,635,960)	(20,370,911)
	<b>132,239,754</b>	<b>114,093,881</b>

##### Net Define Benefit Liability

Balance at 1 January	74,531,826	149,626,054
Current Service Cost (excluding expenditure)	15,054,216	12,684,536
Net interest cost	15,741,454	25,502,692
Actuarial gains (losses)	8,160,987	(90,019,620)
Experience actuarial (gains) losses	2,475,089	(18,167,167)
Return on Plan Assets excluding amounts in interest expense (income)	2,657,953	171,596
Contributions paid by the employer	(5,698,417)	(5,266,265)
	<b>112,923,107</b>	<b>74,531,826</b>

##### Net define benefit liability

Movement analysis	01 January 19	Movement	31 December 19
GUSSS liability provision	74,531,826	38,391,281	<b>112,923,107</b>

## Ghana Universities Staff Superannuation Scheme (GUSSS)

The Ghana Universities Staff Superannuation Scheme (GUSSS) of the University covers teachers (lecturers and professors), research fellows, administrative, library and professional staff of the public universities. The GUSSS scheme was first revised and re-established on January 1, 1976 and since then has undergone several reforms. At the reporting date each public university operated its own version of the GUSSS. The GUSSS scheme provides for old-age pension, death benefits and benefits on dismissal or vacation of post. Under the enhanced GUSSS, members are eligible for old-age pension benefits if they have attained a minimum age of 55 (voluntary retirement); however, there is a compulsory retirement at age 60, provided they have contributed into the scheme for a minimum period of 15 years (180 months). Members contribute into the GUSSS monthly at a rate of 25% of basic salary whereas the Employer contributes 13% in respect of each member.

All retirements are effected on July 31 of the year of retirement. The GUSSS provides for an optional lump sum gratuity settlement plus a residual pension; the lump sum gratuity is equal to a quarter ( $\frac{1}{4}$ ) of the full pension multiplied by twenty. The residual pension of three fourth ( $\frac{3}{4}$ ) of the full pension is paid for the life of the member, with a twenty (20) year guaranteed period. The full pension is calculated as one fortieth ( $\frac{1}{40}$ ) for each year of contribution, subject to a maximum of 40 years times the terminal salary. Currently, the scheme has 1462 members and is managed by the Finance Office at the KNUST under the control of a Management Board.

## Valuation and significant assumptions

This valuation exercise for GUSSS was performed by Stallions Consultants Limited on going concern basis and per the requirements of IPSAS 39, Employee Benefits. The actuarial basis specifies the actuarial methodology and the assumptions used in performing the actuarial valuation. To estimate the liabilities under the scheme, there is the need to estimate the future payments from the scheme which in turn requires assumptions to be established about the future evolution of the membership and the rate of return at which the benefits will be discounted. Then, an actuarial method is used to establish the liabilities of the various members under the scheme.

The Projected Unit Credit Method (PUCM) method was used to estimate the GUSSS liability. The PUC method sees each period of service earned during eligible service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The PUCM involves projecting - using salary escalation assumptions - each unit of benefit, up to future dates of leaving service, retirement, death or other future employment exit states, allowing for the probabilities of reaching those states, and then discounting those benefits back to the valuation date. In determining the aggregate actuarial liability, liability for each scheme member were first calculated and then aggregated to arrive at the liability for the scheme.

The significant assumptions used in the valuation are as follows:

### Economic assumptions

Base interest rate	22% per annum
Rate of salary increases	13% per annum
Mortality rate	10% 1983 Unisex Group Annuity Mortality
Post retirement indexation	13% per annum
Contribution rate	13% per annum

### Demographic assumptions

Mortality	1983 Unisex Group Annuity Mortality
Retirement age	All members retire at age 60
Others	
Valuation date	31 December 2019

### Sensitivity analysis

The sensitivity analysis below are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The idea of this analysis is to ascertain the assumptions that have the most and least impact on the obligations of the scheme.

The following sensitivities were tested on the final basis used for this valuation. The results of the sensitivity analysis as at 31 December 2019 are summarised below:

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	2%	15%	21%
Salary increase rate	2%	6%	5%
Mortality rate	0%	0%	3%

		31 December 19	01 January 19
Ex gratia		<u>97,207,819</u>	<u>73,914,337</u>
		<u>97,207,819</u>	<u>73,914,337</u>
<b>Movement analysis</b>	<b>01 January 19</b>	<b>Movement</b>	<b>31 December 19</b>
Ex gratia provision	73,914,337	23,293,482	97,207,819

### 32. Cash flows generated from operations

	31 -Dec -19
Deficit for the year	(11,046,448)
<b>Adjustments for:</b>	
Depreciation and amortisation	90,092,340
Prior period adjustment	933,946
<b>Changes in:</b>	
Increase in inventories	(2,660,678)
Increase in receivables	(8,347,133)
Increase in sundry deposits	3,651,410
Increase in accrued expenses	6,217,543
Decrease in accounts payable and accrued liabilities	(26,747,220)
Increase in deferred income – student fees	24,059,692
Increase in ex gratia provision	23,293,482
Increase in GUSSS liability provision	38,391,281
	<u>137,838,215</u>

### 33. Statement of Funds

#### 33a. Accumulated fund

##### Year ended 31 December 2019

At 1 January (Note 34i)	314,060,718
Prior -year adjustment	933,946
Surplus(deficit) during the period	(11,046,448)
<b>Balance at 31 December</b>	<u><b>303,948,216</b></u>

### 33b. Transition from previous basis of accounting to IPSAS

The effect of the University's transition to IPSAS, described in note 2, is summarised below.

- (i) Transition elections;
- (ii) Reconciliation of net assets/equity as reported under previous basis of accounting to IPSAS; and
- (iii) Reconciliation of accumulated surplus/(deficit) as reported under previous basis of accounting to IPSAS.

#### (i) Transition elections

The University applied the following transition exemptions as given by IPSAS 33 to full retrospective application of IPSAS:

- ⊙ Fair value as deemed cost; and
- ⊙ No comparative figures reporting.

### 34. Transition from previous basis of accounting to IPSAS

- (i) Reconciliation of net assets/equity as reported under previous basis of accounting to IPSAS

	Note	Accumulated fund	Capital reserve	Total
Opening balance of net assets/equity as on January 1, 2019 reported under previous basis of accounting		555,365,612	-	555,365,612
Recognition of 2018/2019 student fees deferred	1	(95,930,206)	-	(95,930,206)
Fair valuation gain on SCB shares	2	3,071,475	-	3,071,475
Recognition of ex-gratia provision	3	(73,914,337)	-	(73,914,337)
Recognition of GUSSS liability	4	(74,531,826)	-	(74,531,826)
Recognition of PPE at deemed cost in accordance with IPSAS 33	5	-	2,004,708,919	2,004,708,919
<b>Restated opening balance of net assets/equity as on 1 January 2019</b>		<b>314,060,718</b>	<b>2,004,708,919</b>	<b>2,318,769,637</b>

#### Explanation of the notes

1. This relates to adjustment to recognise deferred student fees previously recognised as revenue for 2018/2019 academic year.
2. This relates to adjustment to recognise fair value gain on the valuation of Standard Chartered Bank shares on 1 January 2019.
3. This relates to an adjustment to recognise ex-gratia liability on 1 January 2019 which previously excluded from the financial statements.
4. This relates to an adjustment to recognise GUSSS, liability on 1 January 2019 which previously excluded from the financial statements.
5. The University applied deemed cost as permitted by IPSAS 33 in measuring PPE as cost information on those assets was not available. As a result, it recognised GHS 2,004,708,919 as initial balance on January 1, 2019.

- (ii) Reconciliation of accumulated surplus/deficit as reported under previous basis of accounting to IPSAS

Reconciliation of surplus/deficit on January 1, 2019

	Accumulated fund	Total
Opening balance of net assets/equity as on January 1, 2019 reported under previous basis of accounting	555,365,612	555,365,612
Recognition of 2018/2019 student fees deferred	(95,930,206)	(95,930,206)
Fair valuation gain on SCB shares	3,071,475	3,071,475
Recognition of ex-gratia provision	(73,914,337)	(73,914,337)
Recognition of GUSSS liability	(74,531,826)	(74,531,826)
Restated opening balance of accumulated surplus as at 1 January 2019	<u>314,060,718</u>	<u>314,060,718</u>

### 35. Contingent liabilities

There were no contingent liabilities as at 31 December 2019

### 36. Comparative information

As permitted by IPSAS 33, the University has not presented comparative information on the first-time adoption of accrual basis IPSAS. However, the University has restated the statement of financial position of the prior period (31 December 2018) as its opening financial position as at 1 January 2019 in accordance with IPSAS 33. This should not be considered as comparative information. Comparative information will be presented for all years in subsequent financial statements.

### 37. Subsequent events

It is envisioned that the COVID 19 pandemic will most likely have an impact on the economy and the activities of the University. The University is, however, not able to produce a reliable estimate of this impact at this point.

The Council is not aware of any other material events that have occurred between the date of the statement of financial position and the date of this report.