



CERTIFIED ACCOUNTING TECHNICIAN
STAGE 3 EXAMINATIONS
S3.6: PUBLIC FINANCIAL MANAGEMENT
DATE: WEDNESDAY 26, APRIL 2023
MARKING GUIDE AND MODEL ANSWERS

SECTION A

Marking guide

Question	Answer
1	C
2	D
3	C
4	D
5	C
6	A
7	C
8	B
9	D
10	D

Section A-Marks allocation

Marks

2 marks for each collect answer

2

Total marks for this section

20

Model Answers

QUESTION ONE

The Correct Answer is C

Option A, B and D are all the key features of public sector and correct answer is option C since ensuring sound financial services through competitive financial system that affect the public is the characteristic of a monetary policy.

QUESTION TWO

The Correct Answer is D

As BNR utilizes open market operations, change in reserve requirements and foreign exchange intervention as the key instruments to implement the monetary policy framework.

A is not correct because in addition to the 3 instruments, BNR utilizes also the foreign exchange intervention

B is not correct because the regulated balance of payment is not a key instrument to implement the monetary policy framework

C is not correct because is not correct because the inflation policies are not key instrument to implement the monetary policy framework

QUESTION THREE

The Correct Answer is C

Point ii, iii and iv reflect the role of MINECOFIN in budgeting process.

A is not correct because it excludes iv) Support budget agencies during budget execution by monitoring performance

B is not correct because it includes (i) Providing strategic guidance on resources allocation which is the role of Cabinet not MINECOFIN's.

D is not correct because not all the statements are true

QUESTION FOUR

The Correct Answer is D

All mentioned options reflect the steps the government can take to reduce the tax evasion.

QUESTION FIVE

The Correct Answer is C

Because the bilateral aid flows from the donor government sources directly to official government sources in the recipient country

A is not correct, foreign assistance can be in different form not in form of aid

B is not correct because subsidies is also a **type of grant**, not aid that may go to national private investors

D is not correct because multilateral aid represents contributions from government sources to multilateral agencies where it is then used to fund the multilateral agencies own programs

Note: Grant is different from Aid.

Most of the grants are given for particular projects. But in the case of Aid, there is no need of such projects. Aid is given after taking into consideration the urgency of the matter concerned.

Grants are given only after the concerned fund giver has approved a project submitted

QUESTION SIX

The Correct Answer is A

Because loans from banks is not a source of revenue but rather a way of government funding.

Other options in B, C and D are among the key sources of government revenues

QUESTION SEVEN

The Correct Answer is C

A is not correct because it describes the lump-sum price contract.

B is not correct because it describes combination procurement contracts

D is not correct because there is a correct answer, which is C

QUESTION EIGHT

The Correct Answer is B

The management of government spending priorities is not among the fundamental aspects to treasury management

Other options are correct as they reflect the fundamental aspects to treasury management

QUESTION NINE

The Correct Answer is D

Follow up on implementation of audit recommendations and ensure the chief budget managers are held accountable is the responsibility of the parliament (Public Accounts Committee) not the Auditor General's.

Other options represent the responsibilities of the Auditor General

QUESTION 10

The Correct Answer is D

All the mentioned options are among the risks IFMIS implementation.

SECTION B

QUESTION 11

Marking guide

	Maximum marks
Sub-section a)	
Differentiate a tax base from a tax rate (award 1 mark for the correct explanation of tax base and tax rate each)	2 Marks
Sub-section b)	
Explain at least one type of tax applicable on personal's income and as well as on expenditure in Rwanda (award 1 mark for type of tax and 1 mark for expenditure)	2 Marks
Sub-section c)	
Discuss the three types of tax structure that are applicable worldwide (award 2 marks for each correct type of tax structure up to 3)	6 Marks
Total	10 Marks

Model answers

a) Tax base: It is the value of assets, property or transactions which are subject to a specific tax.

Tax rate: It is the percentage to be applied to the tax base to calculate the amount of tax payable.

b)

- Example of a tax on person's income: Pay As You Earn (PAYE), whereby the tax is deducted from the gross earnings by the employer with net earnings (after tax been deducted) being paid to individual employees.

- Example of a tax on expenditure: Value added tax (VAT), It is a consumption-based tax levied in the supply chain at each point where value is added to a good or service.

c) Three types of tax structure that are applicable worldwide.

Progressive taxes: The taxes represent a larger proportion of an individual's income as that individual's income rises. They are often seen as fairer as they are based on an individual's ability to pay. Example in Rwanda is the personal income tax.

Regressive taxes: The taxes paid is a larger proportion of poorer individual's income than a richer person. It is the opposite of progressive tax and be argued as being unfair. VAT is the example of regressive tax as the amount of tax payable does not depend on the level of income or ability to pay of the consumer.

Proportionate tax: It also called a flat rate tax, with this a single tax rate applies. It is between the progressive and regressive tax. There are arguments that proportionate taxes are fairer than a progressive tax since everyone pays the same proportion of their income. Others argue that it is unfair on people with low incomes because they are subject to tax which is more difficult for them to afford than it is to the rich.

QUESTION 12

Marking guide

	Maximum marks
Sub-section a)	
Explaining the overall objectives of the auditor for the audit of financial statements. <i>(award 1 Mark per each objective)</i>	2 Marks
Sub-section b)	
Definition of the term "Performance audit"	2 Marks
Sub-section c)	
Listing the 3 E's of value for money (Award 1 mark each)	3 Marks
Explaining the 3 E's of value for money (Award 1 mark each)	3 Marks
Total	10 Marks

Model Answers

a) The overall objectives of the auditor for the audit of financial statements

- To obtain reasonable assurance about whether the financial statements as whole are free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial framework.

- To report on the financial statements and communicate as required by the International Standards on Auditing (ISAs) in accordance with the auditor's findings.

b) Performance Audit: It is an audit that is undertaken to review an organization's activities to provide a conclusion about the economy, efficiency and effectiveness.

c) 3Es which are regarded as the key principles for the sound value for money.

Economy: it is concerned with the cost of inputs, and it is achieved by obtaining those inputs at the lowest acceptable cost.

Efficiency: It is concerned with maximizing output for a given input or achieving the minimum input for a given output.

Effectiveness: Ensuring that the outputs of a service/goods have the desired impacts, in other words, finding out whether they succeed in achieving objectives and if so, to what extent.

SECTION C

QUESTION 13

Marking guide

	Maximum marks
Sub-section a)	
Explaining the difference between virements and profiling. <i>(award 2 Marks for each correct definition)</i>	4 Marks
Providing examples (1 mark for virement and 1 mark for profiling example)	2 Marks
Sub-section b)	
<i>Award 1 mark on each budget line amount for the quarter and 1mark for valid explanation</i>	10 Marks
Sub-section c)	
Differentiate a zero-based budgeting from programme-based budgeting (2 marks for correct meaning of ZBB and 2 marks for PBB)	4 Marks
Total	20 Marks

Model Answers

a) Virements: Are where budgeted funds or monies are moved from one budget heading to another during the budget year. This may be due to one budget heading overspending and another budget heading being under budget so recognizes some flexibility in the original budget set. For example, transferring budgeted amount of 5 million from staff refreshment cost to staff bonus during the budget year.

Profiling: It is how the total annual budget is split across the months to show the timing of the budget spend over the year. For example, splitting FRW 24 million for consultancy service budget to 2 million per month over the year.

Budget line	Budget for the year July 2021 to June 2022 (FRW Million)	Budget for the period July 2021 to September 2021 (FRW Million)	Actual expenditure July 2021 to September 2021 (FRW Million)	Variance July 2021 to September 2021 (FRW Million)	Comments for profiling change
New transport Vehicles	500	300	300	-	New vehicles contract and payment of first instalment
Staff recruitment and bonus	90	30	32	(2)	Recruitment of staff in the first quarter as approved by management
Vehicles maintenance	80	40	41	(11)	New contract for company vehicles maintenance with two instalments already paid (July and September)
Corporate social responsibility	20	10	10	-	House rehabilitation for the first beneficiary
End year staff celebration party	40	-	-	-	End year staff party organization which shall be paid to the event manager in quarter 3.

c) Zero-based budgeting: It is a method of budgeting that requires each cost element to be specifically justified, as though the activities to which the budget relates were being undertaken for the first time.

Programme-based budgeting: It sets a budget in terms of programme or groups of activities with common objectives. By focusing on objectives, the budget is therefore oriented towards the ultimate output of the organization.

QUESTION 14

Marking guide

	Maximum marks
Sub-section a)	
Listing five aspects of accrual accounting. (<i>award 2 Marks per each correct aspect up to 5 maximum</i>)	10 Marks
Sub-section b)	
(i) <i>Award 3 marks for the correct explanation of cash basis and 2 marks for the double entry</i>	5 Marks
(ii) <i>Award 3 marks for the correct explanation of accrual basis and 2 marks for the double entry</i>	5 Marks
Total	20 Marks

Model Answers

a) Aspects of accrual accounting

1. Recognition of assets, including receivables and non-current assets
2. Recognition of liabilities, such as payable, debts and loans
3. Revenues are reported to reflect the amounts due or earned during the year, whether these amounts have been collected or not.
4. Expenses incurred during the period are reported, whether or not payment has been made, such as relating to the acquisition of goods and services.
5. Financial statements comprise the statement of financial position, statement of financial performance and the statement of cashflows.

b) (i) Under cash basis: The invoices for the first and second milestones will be recorded at the point when the related payment is made in August 2022.

FRW

Double entries will be as follows: Dr Supplies 25,600,000
Cr Bank 25,600,000

(*Being the recording of supplied attendance system*)

(ii) Under accrual basis: The invoices for the first and second milestones shall be recognized in the financial year ending 30 June 2022 when they were incurred

FRW

Double entries will be as follows: Dr Intangible assets. 25,600,000
Cr Account payable 25,600,000

(Being the recognition of the first and second milestones of the contract for supply and installation of attendance system)

In August 2022, when payment is done: Dr Payable 25,600,000
 Cr bank 25,600,000

QUESTION 15

Marking guide

	Maximum marks
Sub-section a)	
Discussing the complete set of financial statement. <i>(Award 1 Marks per each correct statement)</i>	7 Marks
Sub-section b)	
<i>Award 1 mark for each correct information up to 5 items of the statement of financial position</i>	5 Marks
<i>Award 1 mark for each correct information up to 5 items of the statement of financial performance</i>	5 Marks
Sub-section c)	
<i>Award 3 marks for the correct explanation of managerial and political accountability</i>	3 Marks
Total	20 Marks

Model Answers

a) A complete set of financial statements should be composed of:

1. Statement of financial position: It shows the most comprehensive picture of an organization's financial situation. It reports on an organization's assets (what is owned) and liabilities (what is owed) as well as its shareholders 'equity.
2. Statement of financial performance: It shows the financial health of the organisation, how it has performed for the year and whether it made the profit or loss.
3. Statement of changes in net assets/equity: It shows the change occurred in the owners/shareholders equity.
4. Cash flow statement: It provides aggregate data regarding all cash inflows that a company receives from its ongoing operations and external investment sources. It also includes all cash outflows that pay for business activities and investments during a given period.
5. Notes, including a summary of significant accounting policies and other explanatory notes: They provide more information on detailed manner to the items reported other statements.
6. Comparative information for the prior accounting period: These part shows the financial information for the prior year comparable to the one of the current year for users to get the picture of the trend.

7. Compliance with the conceptual framework: The component shows the organization's compliance to the rules and regulations including applicable financial reporting framework.

b) Statement of financial position

1. Property, plant, and equipment
2. Investment property
3. Intangible assets
4. Financial assets
5. Investment accounted for using the equity method.
6. Inventories
7. Recoverable from non-exchange transactions
8. Receivables from exchange transactions
9. Cash and cash equivalents
10. Taxes and transfer payable
11. Payables under exchange transactions
12. Provisions
13. Financial liabilities
14. Minority interests, presented within net assets/equity.
15. Net asset/equity attributable to owners of controlling entity.

Statement of financial performance

1. Revenue
2. Finance costs
3. Share of the surplus or deficit of associates and joint ventures accounted for using the equity method
4. Administrative const
5. Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinuing operations.
6. Surplus or deficit

c) Managerial accountability refers to managers being held accountable for the responsibilities that have been delegated to them. While **political accountability** relates to government who are accountable to the electorate for the authority that has been granted to them.

END OF MARKING GUIDE AND MODEL ANSWERS