



**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 3 EXAMINATIONS**

S3.6: PUBLIC FINANCIAL MANAGEMENT

DATE: WEDSDAY 28, AUGUST 2024

MARKING GUIDE AND MODEL ANSWERS

SECTION A

Marking guide

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

Section A-Marks allocation

2 marks for each collect answer

Total marks for this section

Marks

2

20

SECTION A

Model Answers

QUESTION ONE

The Correct answer is C, because the IPSASB (2014) highlights that for most public sector entities, the primary objective is to deliver services to the public, rather than to make profits or generate a return for investors Hence generate a return for investors is a not the characteristic of public sector.

The rest of the other options A, B and D are not correct answers since they are among the characteristics of public sector as highlighted by the conceptual Framework for General Purpose Financial Reporting by Public Sector Entities developed and published by International Public Sector Accounting Standards Boards. These characteristics are: (i) the volume and financial significance of non-exchange transactions: It is a characteristic of public sector; (ii) the importance of approved budget: It is a characteristic of public sector; and (iii) the nature and purpose of assets and liabilities in the public sector: It is a characteristic of public sector.

QUESTION TWO

The Correct Answer is C, because elements of Rwandan PFM cycle follow each other in the following way: National priorities, National MTF, Agency budget & MTEF, Finance law, Budget Execution, Accounting and Monitoring, Reporting and audit.

The rest of the other options are not correct, option A is not correct because the cycle starts by national priorities instead of Finance law, option B is not a correct answer, because here the finance law is a second while it should be fourth, option D, is not the correct answer because the budget execution comes as third while it should be fifth.

QUESTION THREE

The Correct Answer is D because the PFM says that Auditor General submits a report to Parliament on the implementation of the State Budget of the previous year.

The option A not correct because Ministry of Finance and Economic Planning do preparation of the annual Budget Framework Paper and Draft Finance Law prior to submission for cabinet and Parliament approval and also supports budget agencies during budget execution by monitoring performance, the option B is not a correct answer, because city of Kigali and other decentralized entities have had already submitted their reports before arrival of Auditor General showing how they have spent public resources. Their responsibilities after the audit, is to implement the

recommendations raised by Auditor General. The option C is also not the correct answer because, chamber of deputies' responsibilities is to hold government to account on the use of public resources.

QUESTION FOUR

The Correct Answer is D, because it is how the total annual budget is split across the months to show the timing of the budget spend over the year.

Option A, is not a correct answer as it is a process through which institution can track whether public resources are allocated and disbursed in line with their intended purpose, option B is not a correct answer as it is the transfer of budgeted funds from one budget heading to another, option C is not a correct answer as it is related to everyday running costs or payments on items that will not have a long-term benefit to the organization.

QUESTION FIVE

The Correct Answer is A because it is date on which the performance security has to be provided from the submission date of the invitation letter to sign the contract for national tenders

The rest of the other options are not correct, option B is the date for final notification after the bid evaluation, option C is the date of provision of the performance security for international bidders while option D is also not correct because there is a correct answer in A

QUESTION SIX

The Correct Answer is C because one of the duties of internal audit is to provide assurance through independent appraisal that systems and processes are in place and effective is one of the duties of internal audit.

The rest of the other options (A, B and D) are not correct. Option A is not correct because preparation of financial statements is not the responsibilities of the internal audit rather management, option B also is the duties of management and option D also fall under the responsibilities of management.

QUESTION SEVEN

The Correct Answer is D because faithful representation refers to financial information which are complete, neutral and free from errors

The rest of the other options (A, B and C). Option A is not a correct answer because it refers to comparing financial information of one entity in different periods or comparing financial information of one entity with other similar entities, option B not a correct answer because it means that financial information have to be verified from source documents, and option C also is not a correct answer as it relates to how helpful the information is for decision making process, it must have confirmative and predictive value.

QUESTION EIGHT

The Correct Answer is D, because both B and C are among the reasons why services charges can be used by the government.

The other option are not correct answers because option A is attributed to taxation, option B is not correct because it has to go together with C and vice versa.

QUESTION NINE

The correct answer is A, because liquidity refer to the amounts of cash an organization can access quickly to settle its debts or meet other unforeseen demands for cash payments

Other options are not correct answers, option B refers to the value of the current assets less value of current liabilities, option C is not a correct answer because treasury management refers to managing the organization's cashflow and requirements for finance, option C also is not a correct answer as cash refers to money readily available, such as coins, bank notes and money inn a current bank account.

QUESTION 10

The Correct Answer is C, because Auditor General has the power to authorize other qualified auditors to conduct an audit of a public institution.

The options are not correct answers because, option A , the Office of the Chief Internal Auditor regulate only the internal audit function in public institutions, option B also is not a correct answer because chamber of deputies do review of the audit report provided by auditor general while option D is also not correct because it says that one of the above while there is a correct answer in C.

SECTION B

QUESTION 11

Marking guide

Question & Marking Guide	Maximum marks
Sub-section a)	
Award 1 mark for using recurrent expenditures as the capital expenditures will not be budgeted in the year 2024 Award 3 marks for a correct answer 1 mark+ 3 marks = 4 marks	4 Marks
Sub-section b)	
Award 1 mark for a clear explanation of program-based budgeting Award 1 mark for a clear explanation of performance-based budgeting 1 mark + 1 mark= 2 marks	2 Marks
Sub-section c)	
Award 1 mark for a point justifying why zero-based budgeting can be more preferable instead of incremental budgeting. 1 mark *4= 4 marks Consider alternative correct answers provided by candidates not in the model answer	4 Marks
Total	10 Marks

Model answer

(a) The total budget of Shangwe for the year ended 31 December 2024.

Description of items	Budget for 2023 in FRW	Increase of 10% of budget on recurrent items FRW	Net year budget 2024 in FRW
Development expenditures			
Moto vehicle	10,000,000	0	0
computers	4,000,000	0	0
	14,000,000	0	0
Recurrent expenditures			
Fuels	2,000,000	200,000	2,200,000
Salaries and wages	12,000,000	1,200,000	13,200,000
	14,000,000	1,400,000	15,400,000
Total Budget	28,000,000	1,400,000	15,400,000

(b) Difference between program-based budgeting from performance-based budgeting:

Program-based budgeting sets a budget in terms of programs or group of activities with common objectives while performance-based budgeting is the budgeting system that links the funds allocated to measurable results.

©Four points justifying why zero-based budgeting can be more preferable instead of incremental budgeting.

The following advantages of zero-based budgeting are:

- It is possible to identify and remove inefficient or absolute operations
- It forces employees to avoid wasteful expenditures
- It can increase motivation
- ZBB documentation provides an in-depth appraisal of an organization's operations

Disadvantages of incremental budgeting

- It does not identify operations, inefficiencies will continue
- It does not help to eliminate wasteful expenditures
- It not suitable for changing environment
- It doesn't produce challenging performance target or encourage managers to find ways of improving the organization

QUESTION 12

Marking guide

Question & Marking Guide	Maximum marks
2 marks for a well explained role 2 marks *5= 10 marks Consider alternative correct answers provided by candidates not in the model answer	10 Marks
Total	10 Marks

Model Answers

IFMIS plays a role in the following way:

- **Budget cycle.**
IFMIS can be used in formulating and execution of budget.
It can enhance confidence and credibility of the budget through improved comprehensiveness and transparency of the budget
- **Cash management.**
IFMIS can produce a range of reports on cash flow
Features of IFMIS may include the ability to detect excessive cash payments or incorrect automated disbursement rules
- **Financial accounting and reporting.**
IFMIS enable a variety of accounting reports to be generated for a given period
IFMIS facilitate correction of errors if are detected
- **Procurement and payments.**
IFMIS could incorporate an integrated supply chain management system
IFMIS can help in payments to suppliers
IFMIS can be linked to inventory levels to determine automatic ordering when inventory falls to a pre-set level
- **Auditing.**
IFMIS helps auditors to identify items of interests
IFMIS helps in detecting fraud and errors

SECTION C

QUESTION 13

Marking guide

Question & Marking Guide	Maximum marks
Sub-section a. (i)	
2 marks for a difference between public sector and private sector. Consider alternative correct answers provided by candidates not in the model answer	2 Marks
Sub-section a. (ii)	
1 mark for a well explained reason justifying why governments can intervene in the country's economy. 1 mark * 4= 4 marks Consider alternative correct answers provided by candidates not in the model answer	4 Marks
Sub-section a. (ii)	
2 marks for a well explained example of market failure that can lead the government to intervene in the economy. 2 marks *4= 8 marks Consider alternative correct answers provided by candidates not in the model answer	8 Marks
Sub-section b. (i)	
1 mark for a date of monthly report 1 mark for a date of annual report 1 mark + 1 mark= 2 marks	2 Marks
Sub-section b. (ii)	
1 mark of a well explained point 1 mark *4= 4 marks Consider alternative correct answers provided by candidates not in the model answer	4 Marks

Model Answers

(a) In every economy, governments can intervene or let private sector lead the economic operations and all is done in the benefits of the citizens.

i) Difference between public sector and private sector:

Public sector and private sector differ in their objectives

- The primary objective of the public sector is to deliver services to the public
 - The primary objective of the private sector is to make profits or generate return to investors
- ii) The following are the FOUR reasons justifying why governments can intervene in the country's economy:
- **Market failure:** is where the operations of the markets distort economic outcome.
 - **Redistribution:** This is where governments actively try to move income from wealthy individuals to those in society who are less well off.
 - **Economic stabilization:** controls are applied to try to steady the country's economy during unusual times.
 - **Political ideology:** It refers to the implementation of government ideas in the economy

iii) FOUR examples of market failure that can lead the government to intervene in the economy.

- **Public goods:** the economy controlled by the private sector may fail to produce public goods while are necessary for the population, this can lead the government to incur for providing such goods and services themselves to ensure that are sufficiently produced.
- **Merit and demerit goods:** the economy can focus in the production of demerit goods like cigarettes and failure to produces merits goods which are necessary of the population
- **Market power:** arises due to lack of sufficient competition to ensure efficient markets. Monopolies can lead to organizations having much market power to enable competition and pricing decisions that are from a societal perspective so government can intervene to regulate the economy.
- **Factor immobility:** this relates to the occupational or geographical immobility of factor of production, the government can intervene to help the unoccupied areas or unutilized resources.

- (b) Financial information is useful when are prepared and produced in reasonable time in order to help the users to take corrective and timely decisions.
- i) Monthly and annual reporting date that a very Chief Budget Manager of a public budget agency in Rwanda should submit the financial report to MINECOFIN are:

20th day of the following month for monthly report
 15th of August for the annual report

- ii) Key information related to Property, Plant and Equipment that are reported in details notes to the financial statements are:

- **Asset description:** name of the asset
- **Acquisition cost:** amounts spent in order to get the asset
- **Useful life:** the time an asset is likely to be used by the entity
- **Net book value:** the purchase cost of an asset subtracted by its accumulated depreciation

QUESTION 14

Marking guide

Question & Marking Guide	Maximum marks
Sub-section a.	
4 marks for a correct figure	4 Marks
Sub-section b.	
1 mark for using the given salary as tax base 1 mark for using the computation rate as tax rate 2 marks for explanation of tax base 2 marks for explanation of tax rate 2 marks + 2 marks + 1 mark + 1 mark= 6 marks Consider alternative correct answers provided by candidates not in the model answer in explaining the tax rate and tax base.	6 Marks
Sub-section c.	
2 marks for explanation of progressive tax 2 marks for explanation of regressive tax 1 mark for an example of progressive tax 1 mark for an example of regressive tax 2 marks + 2 marks + 1 mark + 1 mark= 6 marks	6 Marks

Consider alternative correct answers provided by candidates not in the model answer	
Sub-section d.	
2 marks for a well explained price with vat inclusive 2 marks for a well explained price with vat exclusive. 2 marks + 2 marks= 4 marks Consider alternative correct answers provided by candidates not in the model answer	4 Marks
Total	20 Marks

Model Answers

John Gakumba is an employee of one of the public entities in Rwanda and his monthly salary is FRW 900,000. You are appointed as accountant in the same entity with John and an internee approaches you needing an understanding of some key points in taxes.

Required

(a) Compute the monthly and annual income tax that should be deducted, declared and remitted to Rwanda Revenue Authority on John Gakumba's salary.

- Monthly salary is FRW 234,000

From	TO	Tax rate	Range	Monthly tax
A	B	C	D=B-A	E=D*C
FRW	FRW		FRW	FRW
0	60,000	0%	60,000	0
60,001	100,000	10%	39,999	4,000
100,001	200,000	20%	99,999	20,000
200,001	900,000	30%	699,999	210,000
Total				234,000

Annual salary is $234,000 \times 12 = 2,808,000$

(b) Using the above data and answer on A, the differentiate between tax base and tax rate is:

- Tax base in the monthly salary of FRW 900,000
- Tax rate is 0%, 10%, 20%, 30%
- A tax base is the value of assets, property or transactions which are subject to a specific tax
- A tax rate is the amount to be applied to the tax base to calculate the amount of tax payable

(c)With examples, the difference between progressive taxes and regressive taxes.

- Progressive taxes mean that the taxes represent a larger proportion of an individual’s income as that individual’s income rises.
Ex: Income tax
- Regressive taxes are where the taxes paid is a larger proportion of poorer individual’s income than a richer person for example Value Added Taxes (VAT).

(d)Difference between a price with vat inclusive and a price with vat exclusive is the following:

- Vat inclusive is used when describing a price that already includes tax.
- Vat exclusive is used when describing a price to which tax is yet to be added to arrive at the final cost.

QUESTION 15

Marking guide

Question & Marking Guide	Maximum marks
Sub-section a.	
2 marks for a well explained objective of financial reporting for a public entity Consider alternative correct answers provided by candidates not in the model answer	2 Marks
Sub-section b.	
1 mark for listing each element of the financial statements 1 mark for a well explanation of element of the financial statements. 1 mark * 4= 4 marks 1 mark *4= 4 marks Total marks= 4 marks + 4 marks =8 marks Consider alternative correct answers provided by candidates not in the model answer	8 Marks
Sub-section c.	
1 mark for listing a user of the financial statements 1 mark for expanding the reasons for their information needs 1 mark * 5= 5 marks 1 mark * 5= 5 marks Total marks = 5 marks + 5 marks= 10 marks	10 Marks

Consider alternative correct answers provided by candidates not in the model answer	
Total	20 Marks

Model Answers

In Rwanda for a better Public Financial Management, every public entity prepares and produce financial statements on monthly basis.

- a) The objective of financial reporting for a public entity is the following:
objective of financial reporting for a public entity is to help in decision making and in increasing accountability, openness and transparency.
- b) **FOUR** elements of the financial statements are:
- Income: an increase in asset or a reduction in liability.
 - Expenses: reduction in asset or increase in liability.
 - Assets: present economic resources controlled by an entity as results from past events.
 - Liabilities: present obligation resulting from past events that will result in transfer an economic resource
- c) **FIVE** users of public financial statements and the reasons for their information needs:
- Lenders: will be interested in whether they will receive their loan back.
 - Service users: to assess whether public sector entity is achieving its objectives.
 - Employees: to gain assurance that the public sector will have sufficient cash to pay their salaries.
 - Tax payers: to determine whether the public sector entity is operating economically and efficiently.
 - Suppliers: to sustain their business relationship

End of Marking Guide and Model