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**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 3 EXAMINATIONS**

S3.6: PUBLIC FINANCIAL MANAGEMENT

DATE: WEDNESDAY 28, AUGUST 2024

INSTRUCTIONS:

1. Time allowed: **3 hours.**
2. This examination has **three sections: A, B and C.**
3. Section A has **10 multiple choice questions equal to 2 Marks each.**
4. Section B has **2 questions equal to 10 Marks each.**
5. Section C has **3 questions equal to 20 Marks each.**
6. All questions are compulsory.
7. The question paper should not be taken out of the examination room.

SECTION A

QUESTION ONE

The conceptual Framework for General Purpose Financial Reporting by Public Sector Entities developed and published by International Public Sector Accounting Standards Boards, setting out the concepts that underpin general financial reporting and development of International Public Sector Accounting Standards (IPSAS's) and indicates the characteristics of a public sector.

Which one of the following is not among the characteristics of public sector?

- A The volume and financial significance of non-exchange transactions.
- B The importance of approved budget.
- C Generate a return for investors.
- D The nature and purpose of assets and liabilities in the public sector.

(2 Marks)

QUESTION TWO

Public Financial Management (PFM) is the system by which financial resources are planned, directed and controlled to enable and influence the efficient and effective delivery of public service goals. There are a range of elements to be involved chronologically from the start to the end by different stakeholders in order to achieve the PFM target.

Which of the following best demonstrate the PFM cycle elements as they follow each other as per MINECOFIN guidelines?

- A Finance law, National MTF, National priorities, Budget Execution, Accounting and Monitoring, Agency budget & MTEF, Reporting and audit.
- B National priorities, Finance law, National MTF, Budget Execution, Accounting and Monitoring, Agency budget & MTEF, Reporting and audit.
- C National priorities, National MTF, Agency budget & MTEF, Finance law, Budget Execution, Accounting and Monitoring, Reporting and audit.
- D National priorities, National MTF, Budget Execution, Finance law, Agency budget & MTEF, Accounting and Monitoring, Reporting and audit.

(2 Marks)

QUESTION THREE

Which of the following parties involved in public sector budgeting in Rwanda is tasked with responsibilities of reporting the implementation of State Budget of the previous year in Rwanda?

- A Ministry of Finance and Economic Planning.
- B City of Kigali and other decentralized entities.
- C Chamber of deputies.
- D Auditor General.

(2 Marks)

QUESTION FOUR

There are different ways of budgetary control, sometimes an entity prepares and documents how the total annual budget is split across the months and show the timing of the budget spend over the year.

Which of the following terms explaining the above scenario?

- A Budget monitoring.
- B Virement.
- C Recurrent.
- D Profiling.

(2 Marks)

QUESTION FIVE

A procuring contract in a Rwandan public institution is signed after the procuring entity has received the performance security. The performance security is not required for all tenders whose amount does not exceed FRW 20,000,000 and tenders for framework agreements when the purchase order value does not exceed FRW 20,000,000.

In which of the following period does the performance security has to be provided from the submission date of the invitation letter to sign the contract for national tenders?

- A Within 15 days.
- B Within 7 days.
- C Within 21 days.
- D None of the above.

(2 Marks)

QUESTION SIX

Internal audit is designed to add value and improve organization's operation but sometimes the function of internal auditors is confused with that of management.

Which of the following is in the duties of Internal audit function?

- A Participate in the preparation of financial statements to easy the work of internal auditor when he or she starts reviewing them.
- B Perform operational duties for the audited body.
- C Provide assurance through independent appraisal that systems and processes are in place and effective.
- D Approve accounting transactions outside internal audit.

(2 Marks)

QUESTION SEVEN

Financial information has to meet certain characteristics in order to be relied on by a public entity stakeholder.

Which among those characteristics do completeness and neutrality of the financial information stand for?

- A Comparability.
- B Verifiability.
- C Relevance.
- D Faithful representation.

(2 Marks)

QUESTION EIGHT

Governments collect money from population in different ways depending on the reason behind.

Which of the following reason is attributed to why service charges are charged to different individuals and organizations?

- A Increase revenues for the government.
- B Fines.
- C Payment of goods or services consumed from government.
- D B and C are correct.

(2 Marks)

QUESTION NINE

Which of the following items refers to the amounts of cash an organization can quickly access to settle its debts or meet unforeseen demands for cash payments?

- A Liquidity.
- B working capital.
- C Treasury management.
- D Cash and bank.

(2 Marks)

QUESTION 10

In Rwanda, it is possible that the Office of Auditor General may not cover the audit of all public institutions in a year.

Which of the following institution has the power to authorize other qualified auditors to conduct the audit of unaudited public institutions on behalf of Auditor general in Rwanda?

- A Office of the Chief Internal Auditor.
- B Chamber of Deputies.
- C Office of Auditor General.
- D None of the above.

(2 Marks)

SECTION B

QUESTION 11

Shangwe, a public entity operating in eastern province of Rwanda, and is engaged in purification of water. During the year ended 31 December 2022, the following budget lines were used in budgeting. The budget performance is at 100% of the execution for the budget for the financial year ended 31 December 2023. The following are the details of budget item expenditures included in the current budget for this fiscal year and the same budget item with same budget lines will be considered in financial year ending 31 December 2024: Acquisition of moto vehicle FRW 10,000,000 with a useful life of 5 years, acquisition of computers FRW 4,000,000 useful life of 4 years, fuels to be used in motor vehicles and generator FRW 2,000,000, salaries and wages amounting to FRW 12,000,000. Recurrent items will increase by 10% in the fiscal year ending 31 December 2024 due to inflation rate in the economy, while there will be no change in capital expenditures.

Required:

- a) Using incremental budgeting, show the total budget of Shangwe for the year ended 31 December 2024. (4 Marks)
 - b) Differentiate program-based budgeting from performance-based budgeting as described in Rwanda PFM. (2 Marks)
 - c) List FOUR points justifying why zero-based budgeting can be more preferable instead of incremental budgeting. (4 Marks)
- (Total: 10 Marks)**

QUESTION 12

The implementation of Integrated Financial Management Information System (IFMIS) plays a key part in modernization and improvement of Public Financial Management (PFM) in public entities.

Required:

Discuss at least FIVE roles of the use of IFMIS for public entities in public financial management.

(Total: 10 Marks)

SECTION C

QUESTION 13

- 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) As a student with sufficient PFM knowledge, **discuss in few words the difference between public sector and private sector.** (2 Marks)
- ii) **Discuss FOUR reasons justifying why governments can intervene in the country's economy.** (4 Marks)
- iii) Using examples, **discuss at least FOUR examples of market failure that can lead the government to intervene in the economy.** (8 Marks)
- 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) **What is the monthly and annual reporting date for which every Chief Budget Manager of a public budget agency in Rwanda should submit the financial report to MINECOFIN as the leader of Rwandan Public Financial Management?** (2 Marks)
- ii) Property, Plant and Equipment is one of the elements to be presented in the statement of financial position as per IPSAS 1(presentation of Financial Statements) and detailed in the notes to the financial statements, **discuss the key information related to PPE that are useful to users that should not be missing in monthly or annual financial statements.** (4 Marks)
- (Total: 20 Marks)**

QUESTION 14

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 in which John Gakumba works and an internee has approached you for your guidance on some interpretation on 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, clearly show your working.** (4 Marks)
- b) Using the above data and your answer on question A, **explain and differentiate a tax base from a tax rate.** (6 Marks)
- c) With an example for each type, **discuss the difference between progressive taxes and regressive taxes.** (6 Marks)
- d) **Differentiate a price with VAT inclusive from a price with VAT exclusive.** (4 Marks)
- (Total: 20 Marks)**

QUESTION 15

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

Required:

a) Discuss the objective of financial reporting for a public entity. (2 Marks)

b) List and explain at least FOUR elements of the financial statements of a public entity at every reporting period. (8 Marks)

c) Discuss at least FIVE users of public financial statements and emphasis on the reasons for their information needs. (10 Marks)

(Total: 20 Marks)

End of Question Paper