



---

---

**CERTIFIED ACCOUNTING TECHNICIAN**

**STAGE 3 EXAMINATIONS**

**S3.6: PUBLIC FINANCIAL MANAGEMENT**

**DATE: WEDNESDAY 28, FEBRUARY 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 budget cycle is an essential part of Public Financial Management (PFM) and it describes the processes connected with the formulation, approval, execution and then evaluation of the budget. During the budgeting process various players have different roles to ensure the integration of planning, budgeting, and spending by different units. In the perspective of the Rwandan PFM cycle, **which of the following describes the role of Cabinet:**

- (i) Providing the strategic guidance on resource allocation
- (ii) Approving the broad strategic objectives and priorities for budgetary policies
- (iii) Holding government accountable on the use of public funds
- (iv) Approving the Budget Framework Paper after it has been approved by the parliament.

- A (i) only
- B (i) and (ii)
- C (ii) and (iii)
- D (iii) and (iv)

**(2 Marks)**

---

### QUESTION TWO

The Government of Rwanda, through the Rwanda Environment Management Authority (REMA), has received a grant of \$600,000 from the Green Climate Fund (GCF) to support implementation of key climate change frameworks including the country's Green Growth and Climate Resilient Strategy. The signed grant agreement specifies that the core condition for the successful award of the grant is that, the amount received will only be spent for the development and delivery of green city development concepts, identify investment priorities, and is ready to qualify for, and receive GCF climate finance. According to Public Financial Management (PFM) budget execution rules, **this clause of the grant agreement is referred to as?**

- A Grant agreement condition
- B Budget appropriation
- C Budget ring fencing
- D None of the above

**(2 Marks)**

---

### QUESTION THREE

Mr. Lee is a registered taxpayer who has been operating in the Eastern province for the last 5 years and uses the Electronic Billing Machine (EBM). Due to the high-volume sales during the December 2023 festive seasons, he has requested his selling agent to minimize the provision of EBM invoices so as not to overstate the December 2023 monthly revenues for tax purposes. The selling agent would only issue an EBM invoice to the customer who requests it or has purchased goods valued FRW 50,000 and above. **This is an example of?**

- A Tax administration.
- B Tax avoidance.
- C Tax malpractice.
- D Tax evasion.

(2 Marks)

---

### QUESTION FOUR

The Government of Rwanda has received donor aid from the government of China. **Which of the following types of donor aid is this?**

- A Aid grant.
- B Subsidies
- C Bilateral Aid
- D Multilateral

(2 Marks)

---

### QUESTION FIVE

**Which of the following statements is/are true about sourcing as the stage in the procurement process.**

- A Information for procurement market research can be obtained from internal documents such as former contract or previous short list of suppliers.
- B The Request for information (ROI) is used to publicize the procurement need more widely and allows suppliers to request to be included on a short list.
- C It is not advisable to conduct procurement market research on internet, such as through regional trade directories or online communities of professional service providers.
- D All statements are true.

(2 Marks)

---

### QUESTION SIX

The following statements are true about the value for money in public procurement, Except:

- A Value for money in Public Procurement is not just about how much the goods and services procured cost financially but also the quality of goods and services obtained for certain cost is crucial
- B Value for money should focus on effectiveness, economy and efficiency in public procurement
- C It is the responsibility of the office of auditor general of the state's finances to ensure value for money in public procurement
- D Value for Money is an essential test against which a procuring entity must justify a procurement outcome

(2 Marks)

---

### QUESTION SEVEN

In the public sector, many aspects of treasury management are centralized, with the central treasury department acting effectively as the bank for the whole of central government, with the aim of ensuring that funds are provided to other departments and delivery entities as required. With that reference, **what is the name of the central account holding an organization's consolidated cash?**

- A Treasury Single Account
- B Consolidated Cash Account
- C Treasury Consolidated Account
- D Single Consolidated Account

(2 Marks)

---

### QUESTION EIGHT

.....is defined as the key element of procurement sourcing where the procuring entity identifies relevant suppliers and products that could meet the needs of the organization in terms of the supplies they wish to procure.

- A Market research
- B Shortlisting
- C Pre-qualification
- D Management of suppliers

(2 Marks)

---

### QUESTION NINE

You have been appointed as budget officer in the Ministry of Infrastructure (MININFRA). During the budget preparation for the year 2023-2024, you are requested to first make a preliminary list of activities to be implemented by the ministry and prepare the annual budget. **Which strategic document will you reference to draw the strategic interventions of the ministry while elaborating the annual budget?**

- A Vision 2020
- B RPF manifesto
- C MININFRA's Action plan for the year ended 30<sup>th</sup> June 2023
- D National Strategy for Transformation (NST-1)

**(2 Marks)**

---

### QUESTION 10

On 31<sup>st</sup> March 2023, the Government of Rwanda has gazetted the Tax Procedures Law No. 020/2023 (TPL 2023), governing tax procedures applicable to taxes on income, value added tax (VAT), property tax on motor vehicles and boats, tax on minerals and any other tax without a specific tax procedure. Among others, the TPL prescribes some wrongful acts punished with fixed administrative fine (Article 81). As a CAT student, **which of the following steps should the Government take while enforcing this TPL and minimize tax evasion:**

- (i) Investigate cases of tax evasion
- (ii) Compile case reports and make recommendations for prosecution
- (iii) Penalize or close down companies failing to fulfil their tax obligations
- (iv) Increase tax education and sensitize taxpayers with implications of non-compliance

- A (i) and (ii)
- B (i) and (iii)
- C (ii) and (iii)
- D (i), (ii), (iii) and (iv)

**(2 Marks)**

---

## **SECTION B**

### **QUESTION 11**

In 1998, the Government of Rwanda had established the Office of the Auditor General (OAG), which was later recognized as the Supreme Audit Institution (SAI) in June 2003 headed by the Auditor General in line with Article 166 of the Constitution of the Republic of Rwanda of 2003 as revised to date.

**Required:**

Given the fact that, the OAG of Rwanda is a member of the International Organization of Supreme Audit Institutions (INTOSAI) which issue the International Standards of Supreme Audit Institutions (ISSAI), **discuss five (5) features that show the compliance with ISSAI 11-guidelines and good practices related to SAI audit independence.** (10 Marks)

**(Total:10 Marks)**

### **QUESTION 12**

The International Public Sector Accounting Standards Board (IPSASB) (2014) highlights that the primary objective of public sector entities is to deliver services to the public, rather than to make profits or generate a return for investors as opposed to private entities. This implies that the public sector needs a different way of presenting financial information.

**Required:**

**Discuss five (5) characteristics that are distinctive for public sector entities and which underpin the need for a distinctive approach to financial management in government entities.** (10 Marks)

**(Total: 10 Marks)**

## SECTION C

### QUESTION 13

(a) The government of Rwanda recognizes the importance of public funds accountability, and the Effective public financial management is acknowledged as being critical for a variety of purposes, including the creation of sustainable development and the reduction of poverty.

**Required:**

In the context of the Government of Rwanda, **discuss the 7 PFM cycle elements.** (8 Marks)

(b) It is widely recognized that the provision of public services cost money and the government would collect funds from different sources, but the primary source is though taxation. Therefore, for the effective tax collection, it is very paramount for the government to define the tax base and establish different tax rates with the aim of ensuring equitable collection of taxes.

**Required:**

(i) With the use of examples, **differentiate tax base from tax rate.** (3 Marks)

(ii) **Discuss 3 tax bases that the government of Rwanda has defined for taxation purpose.**

(9 Marks)

**(Total: 20 Marks)**

### QUESTION 14

By their very nature Governments encounter numerous financial transactions every day and it is essential that they have sufficient cash available to meet their needs, such as paying salaries and wages and other expenses. As a recently appointed budget officer in charge of cash flow management, among other responsibilities, you are assigned to assist the management of your public organization to put in place measures to ensure that they avoid incurring unnecessary costs for borrowing money, such as going overdrawn at the bank or defaulting on loan repayments, as well as try to earn income from any surplus funds available.

**Required:**

(a) **Discuss to the management how cashflow forecasting is performed to ensure effective management of cash and avoid unnecessary interruptions.** (5 Marks)

- (b) Nyundo Health center is community health center based in the North province which provides health services to the neighboring community. Besides, it runs a canteen and generates additional incomes for the furtherance of its mandate.

It has provided you the following information for the second half of its year which ended 31<sup>st</sup> December 2023:

Month	Sales (FRW,000)	Purchases (FRW,000)	Wages (FRW,000)	Other Expenses (FRW,000)
July (Actual)	136,000	76,500	34,000	8,500
August (Actual)	136,000	68,000	30,600	10,200
September (Actual)	127,500	71,400	37,400	10,200
October (Budget)	153,000	85,000	40,800	10,200
November (Budget)	144,500	76,500	34,000	10,200
December (Budget)	136,000	59,500	30,600	8,500

**Additional information:**

- 20% of canteen sales and 10% of canteen purchases are for cash, the rest being on credit
- All canteen credit sales are collected in the next month following sales
- Credit purchases are paid off regularly in the month of purchases
- Wages are paid 50% monthly, the remaining balance paid in the following month
- Other expenses are paid monthly
- Cash and bank balance on 01<sup>st</sup> April was FRW 25,500,000

**Required:**

Prepare a cash budget/cash flow plan for each of the three months ending October, November, and December 2023.

(15 Marks)

(Total: 20 Marks)

**QUESTION 15**

(a) Public sector entities may adopt cash or accruals accounting. In the past, cash accounting has tended to dominate the public sector and is still used, in some countries. However, the majority of countries including Rwanda have already moved to accrual-based accounting and there continues to be movement towards accrual accounting in other world regions.

**Required:**

Using relevant examples, differentiate the cash basis of accounting from the accrual basis of accounting.

(5 Marks)

(b) The purchasing department of the ministry of social affairs orders some office stationaries on 11<sup>th</sup> December 2022. On 15<sup>th</sup> December 2022, the department received an invoice requesting payment for the stationary that had been ordered. Payment was requested to be made by 03<sup>rd</sup> January 2023 but the department actually paid for the stationary by the same-day using bank transfer. The stationary order was delivered to the ministry department and signed as received on 28<sup>th</sup> December 2023.



The ministry department's financial year runs from 1<sup>st</sup> January to 31<sup>st</sup> December.

**Required:**

**Discuss how the ministry department would report the stationary order under:**

- (i) Cash basis.**
- (ii) Modified cash basis, with one month specified period.**
- (iii) Accruals basis.**

(15 Marks)

**(Total: 20 Marks)**

**End of question paper**

**BLANK PAGE**

**BLANK PAGE**

**BLANK PAGE**