



CERTIFIED ACCOUNTING TECHNICIAN

STAGE 3 EXAMINATIONS

S3.6: PUBLIC FINANCIAL MANAGEMENT

DATE: WEDNESDAY 29, MAY 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 public sector, of course, includes a wide variety of entities and a country's public expenditure must be shared across these public sector entities. The Government of Rwanda sets a national budget which splits the total planned expenditure for the year across different sectors or priorities.

Which of the following spending classification of the functions of government (COFOG) for the Government of Rwanda falls under spend for 'water supply'?

- A Environmental protection
- B General public services
- C Health
- D Housing and community amenities

(2 Marks)

QUESTION TWO

During the budget preparation, the budget officer of MINITRACOM budgeted for different expenditures as shown below:

Item no.	Description	Amount (FRW "000")
001	Purchase of motor-vehicles	10,000
002	Annual Payment for water & electricity	3,000
003	Construction of staff canteen (this includes 10 million for the payment of security guards for the first year of Canteen operations)	22,000
004	Monthly salaries and wages	7,000

What is the annual recurrent expenditure?

- A FRW 84,000,000
- B FRW 87,000,000
- C FRW 20,000,000
- D FRW 42,000,000

(2 Marks)

QUESTION THREE

A medium-term expenditure framework (MTEF) provides the link between long term policies or strategies and the shorter term annual budgeted expenditure, aiming to ensure that expenditure incurred is on areas to address strategic goals. It has key objectives as summarized by Le Houerou and Taliercio (2002):

- (i) Greater creditability of budgetary decision-making.
- (ii) More efficient use of public monies.
- (iii) Better resource allocation (both inter- and intra-sectoral).
- (iv) Greater political accountability for public expenditure outcomes through more legitimate decision-making processes.

Which of the above statements is/are true as far as the objectives of MTEF are concerned?

- A (ii) and (iii)
- B (i) (iii) and (iv)
- C (ii) (iii) and (iv)
- D All of the above

(2 Marks)

QUESTION FOUR

In developing countries in particular, grants or donor aid provided to governments by foreign countries, multilateral institutions, or other governmental and non-governmental organizations can be a significant source of public revenue. Such grants may have conditions and restrictions, or be provided for the purpose of budget support without formal conditions attached.

Which of the following statement best describes the Bi/Mult as a type of donor aid?

- A Aid which flows from the donor government sources directly to official government sources in the recipient country.
- B Represents contributions from government sources to multilateral agencies where it is then used to fund the multilateral agencies' own programmes.
- C Aid form where a donor contracts with a multilateral agency to deliver a programme or project on its behalf in a recipient country.
- D None of Above

(2 Marks)

QUESTION FIVE

The government set rates of tax on a tax base. The impact of the tax base and rate may be linked to whether the tax structure is progressive, regressive or proportionate.

Which of the following types of tax describe where a single rate of tax applies?

- A Reactionary
- B Progressive
- C Proportionate
- D Regressive

(2 Marks)

QUESTION SIX

A cash budget helps decision-makers in effective cash management and, to be useful, it should incorporate the following key features, **except**:

- A Estimates of net assets at the end of the period
- B Net cash flow for the period
- C Bank balance brought forward
- D Analysis of the sources of receipts leading to total receipts for the period

(2 Marks)

QUESTION SEVEN

The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (the Conceptual Framework) was developed and published by the International Public Sector Accounting Standards Board (IPSASB) in 2014, setting out the concepts that underpin general financial reporting and the development of International Public Sector Accounting Standards (IPSAS).

Which of the following is NOT a characteristic of the public sector that the IPSASB considered in the development of the Conceptual Framework?

- A The importance of the approved budget.
- B The nature of public sector programmes and the longevity of the public sector.
- C The relationship with statistical reporting.
- D None of the above.

(2 Marks)

QUESTION EIGHT

It is useful for procuring organisations to continuously identify new suppliers which could broaden the market for products and services procured. Information on suppliers is often collected in a supplier roster that provides easily accessible information on the goods and services provided by individual suppliers.

Under which of the following elements of ‘sourcing’ in procurement is a supplier roster prepared?

- A Market research
- B Establishment and signature of short list
- C Supplier management
- D None of the above

(2 Marks)

QUESTION NINE

Monetary policy is the action that a country's central bank or government take to influence how much money is in the economy and how much it costs to borrow.

Which of the following is responsible for monetary policy in Rwanda?

- A Ministry of Finance and Economic Planning
- B Macroeconomic Policy Unit
- C Parliament
- D None of the above

(2 Marks)

QUESTION 10

Which of the following are characteristics of an IFMIS?

- (i) It is a management tool
- (ii) It provides non-financial information
- (iii) It provides financial information

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

(2 Marks)

SECTION B

QUESTION 11

Cash is an easy to use resource but a high risk one that can be easily stolen, mislaid or misused with no trace. It is therefore essential that organisations are aware of the risky nature of cash and put in place appropriate controls. One of the ways cash is centrally managed is through a Treasury single account (TSA).

Required:

- (a) List FIVE ways that the use of cash could be reduced. (5 Marks)
- (b) Explain the meaning of a TSA and state THREE possible ways that payments systems can be implemented within a TSA. (5 Marks)
- (Total: 10 Marks)**

QUESTION 12

Bugema is one of the developing countries in the region. The country's ministry of finance had contracted an independent consultant to evaluate the country's Public Finance Management (PFM) functions and recommend applicable measures for improvement. The consultant's report recommends the need to procure and acquire an Integrated Management Information System (IFMIS) to improve the country's public financial management.

The report additionally explained that the system would add value to the existing cash management and financial reporting as well as on other functions of PFM. However, despite the targeted range of roles, the reports narrated that this change will expose the Ministry to enormous risks/challenges to be continuously addressed along the transition and suggested the relevant mitigation measures.

Required:

- (a) Discuss the role of IFMS in cash management and financial accounting and reporting functions. (4 Marks)
- (b) Explain THREE challenges or risks of implementing an IFMS. (6 Marks)
- (Total: 10 Marks)**

SECTION C

QUESTION 13

It is very important for any Government to recognize the critical linkage between domestic resource mobilization and sustainable economic development. This also calls to put in place tax bases and taxes rates that are suitable for efficient revenue collection and avoiding any economic distortion.

Required:

- (a) **Discuss FOUR key factors that the government of Rwanda should consider in determining the suitability of taxes.** (8 Marks)
 - (b) With respect to taxation:
 - (i) **Differentiate between tax avoidance and tax evasion.** (4 Marks)
 - (ii) **List FOUR steps that the government can take to reduce tax evasion.** (4 Marks)
 - (c) The government obtains revenue mainly from taxes, grants, and donor aid. **List FOUR other potential sources of revenue available to government bodies.** (4 Marks)
- (Total: 20 Marks)**

QUESTION 14

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. However, many other countries have already moved to accrual-based accounting. Most International Public Sector Accounting Standards (IPSAS) are based on the accrual method of accounting, which reflects the IPSASB's preference for accrual-based reporting.

Required:

- (a) **Outline FOUR features of the accruals basis of accounting.** (4 Marks)
- (b) **Advise FIVE minimum items that must be reported on the statement of financial position as set out in IPSAS 1.** *Note: Use a table, which clearly indicates the name of the IPSAS and the corresponding specific IPSAS number.* (10 Marks)
- (c) **List SIX financial statements that form a complete list of financial statements in accordance with IPSAS 1 on an accruals basis.** (6 Marks)

Total (20 Marks)

QUESTION 15

(a) An effective audit framework is an essential element of a government's Public Financial Management (PFM) arrangements. The core audit structure comprises the Supreme or State Audit Institution (SAI), external audit and internal audit.

Required:

Explain FOUR responsibilities of the Auditor General according to the Constitution of the Republic of Rwanda. (8 Marks)

(b) **Identify and briefly discuss THREE main types of public sector external audit.** (6 Marks)

(c) **Define the term 'internal auditing' and State FOUR main responsibilities of internal auditors as stipulated in Rwanda's Internal Audit Charter.** (6 Marks)

Total (20 Marks)

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