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**CERTIFIED ACCOUNTING TECHNICIAN**  
**STAGE 3 EXAMINATIONS**  
**S3.6: PUBLIC FINANCIAL MANAGEMENT**  
**DATE: WEDNESDAY 26, FEBRUARY 2025**

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**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**

Incremental budgeting is a method of budgeting in which next year's budget is prepared by using the current year's actual results as a starting point, and making adjustments for expected inflation, sales growth or decline and other known changes.

**The following are the limitations of incremental budgeting with the exception of**

- A It does not identify inefficient operations. Inefficiencies will continue
- B It is not suitable for changing environments
- C It creates the volume of extra paperwork
- D It does not help to eliminate wasteful expenditure

**(2 Marks)**

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### **QUESTION TWO**

The government of Rwanda budget for fiscal year 2024/2025 is mainly composed of revenues from taxes, grants and donor aids. However, they are other sources of revenue that are available to the public sector entities. **Which of the following is not among other sources of revenues for public sector entities?**

- A Fines
- B Licences
- C Loans from the bank
- D State owned enterprises (SOE)

**(2 Marks)**

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### **QUESTION THREE**

..... paying directly for a service can also affect behaviour.

**Complete the sentence above by selecting the correct option below:**

- A Value
- B Usage
- C Service Quality
- D Equity

**(2 Marks)**

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#### **QUESTION FOUR**

A company manufacturing beer is charged 60% levied at the point of manufacture.

**Which of the following types of tax is this?**

- A Customs duties
- B Excise duties
- C Value added
- D Licence fee

**(2 Marks)**

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#### **QUESTION FIVE**

Sourcing is the stage in the procurement process that identifies existing suitable products or services on the market and suppliers available to provide the required products or services.

**Which one of the following is not a correct factor that shortlisting considers?**

- A Monetary value of the procurement activity
- B Share of potential markets and geographic distribution
- C Technical capacity and experience
- D Ethical requirements, such as professional certification

**(2 Marks)**

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#### **QUESTION SIX**

In Rwanda, the internal audit of the public sector is headed by the Office of the Chief Internal Auditor (OCIA), which is part of the Ministry of Finance and Economic Planning (MINECOFIN).

**Which of the following is not among specific duties and responsibilities of the Office of the Chief Internal Auditor (OCIA) Department in Rwanda?**

- A Supervise and co-ordinate the internal audit function across all government institutions
- B Formulate and disseminate internal audit standards, guidelines and audit methodology
- C Direct the activities of any employee in the entity not employed by internal audit
- D Produce a consolidated annual internal audit report

**(2 Marks)**

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### QUESTION SEVEN

The Treasury Management Department of Government of Rwanda's Ministry of Finance and Economic Planning (MINECOFIN) has a Cash Plan Management Section which aims to ensure the Government's resources are efficiently managed.

**Which of the following is an exception for the Cash Plan Management Section?**

- A Prepare a consolidated monthly cash flow plan based on inputs from spending entities, on a quarterly basis.
- B Ensure cash flow plans submitted from budget agencies are unauthentic and realistic.
- C Produce regular reports to the Treasury Management Committee showing actual outturn compared to the planned cash flows, showing variances and remedial measures in case of negative variances.
- D Monitor receipts, payments and the daily cash position.

**(2 Marks)**

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### QUESTION EIGHT

A government body in Rwanda has issued a contract for a tender where the duration and provision is easy to define. The duration will be two years.

**Which of the following contract types is most appropriate?**

- A Time-based price
- B Lump-sum price
- C Combination
- D Unit price

**(2 Marks)**

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### QUESTION NINE

There are a range of government personnel involved in the budget cycle, in order to ensure the planning, accounting and spending units.

**Complete the following sentence using the picklist below:**

.....are involved in establishing the overall strategic objectives of the government or public sector entity.

- A Finance professionals
- B Service managers
- C Policy makers
- D Auditor General

**(2 Marks)**

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### QUESTION 10

Charging for public services may be concluded as being appropriate for certain services. However, if implemented, it is essential that the public sector organisations establish effective charging practices.

**Which one of the following are key features of effective charging in the public sector?**

- i) Straight forward
- ii) Objectives consistency
- iii) Expectation

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

**(2 Marks)**

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## **SECTION B**

### **QUESTION 11**

The office of Auditor General of Rwanda (OAG) is a member of the International Organization of Supreme Audit Institutions (INTOSAI) and follows the International Standards of Supreme Audit Institutions (ISSAI) and the International Standards on Auditing (ISA) while conducting external audit of the country's public sector entities in Rwanda. The OAG also complies to the developed by the International Auditing and Assurance Standards Board (IAASB).

**Required:**

- a) **Discuss Three (3) main types of public sector external audit that may be conducted by the Office of Auditor General.** (6 Marks)
  - b) **Explain Two main purpose of the International Auditing and Assurance Standards Board (IAASB).** (2Marks)
  - c) **Discuss Two main the overall objectives of the auditor in conducting an audit of financial statements outlined by ISA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit.** (2 Marks)
- (Total: 10 Marks)**

### **QUESTION 12**

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; and the Government of Rwanda sets a national budget which splits the total planned expenditure for the year across different sectors or priorities.

**Required:**

**Identify and explain five areas on which a government may spend and how these may be categorised.** (10 Marks)

**(Total: 10 Marks)**

## **SECTION C**

### **QUESTION 13**

a) Effective public sector financial management is acknowledged as being critical for a variety of purposes, including the creation of sustainable development and the reduction of poverty. Indeed, one of Rwanda's Ministry of Finance and Economic Planning (MINECOFIN) goals is to achieve the highest international standards in Public Finance Management (PFM) in order to ensure an accountable use of resources.

**Required:**

- i) What is Public Financial Management (PFM).** (2 Marks)
- ii) Identify the Seven elements of PFM cycle and discuss how they may be applied to a public sector organisation of your choice.** (6 Marks)

b) In order to collect a tax, the government must select a tax base and apply a tax rate to that base, as well as there being different types of taxes that governments may adopt.

**Required:**

**Explain Four other factors that governments should consider in determining the suitability of taxes.** (12 Marks)

**(Total: 20 Marks)**

### **QUESTION 14**

Munyaneza Emmanuel is an ICPAR member working in public sector as an accountant in one of the budget agencies under Ministry of Health in Rwanda. The agency is responsible and accounting for the public money that it holds. Cash is one the resources that agency has and usually reports in their public sector financial statements submitted monthly to the Ministry of Finance and Economic Planning (MINECOFIN); despite cash being an easy resource to use resource but it has a high risk since it can be easily stolen, mislaid or misused with no trace. The budget agency should ensure that the are appropriate controls in place to manage cash and reduce the associated risks.

**Required:**

- a) In the context of Public Financial Management (PFM), differentiate the cash from the cash equivalents.** (2 Marks)
- b) Explain Four examples of the ways in which the public sector organisation uses the cash and how the use of the cash for each stated example could be reduced.** (8 Marks)
- c) Discuss Four appropriate controls that the above budget agency can put in place to manage cash and reduce the associated risks.** (4 Marks)
- d) Discuss the Six procedure that should be followed by the public sector entity in carrying out bank reconciliations.** (6 Marks)

**(Total: 20 Marks)**

## QUESTION 15

The government of Rwanda through Ministry of Finance and Economic Planning (MINECOFIN) aspires to prepare the financial statements for the financial year ended 30 June 2024 based on the International Public Sector Accounting Standards (IPSAS) are developed by the International Public Sector Accounting Standards Board (IPSASB) for use by governments and public sector entities across the world, in an attempt to improve global public sector financial reporting. Most of the IPSAS are based on the accrual method of accounting and this is in line with Ministry of Finance and Economic Planning (MINECOFIN) intent to move from the cash to the accrual's basis of accounting.

The IPSASB (2014) also states that the objective of financial reporting by public sector entities is to provide information about the entity that is useful to the users of general-purpose financial reporting for accountability and decision-making purposes.

### Required:

- a) In the context of the Manual of Public Financial Management (PFM) Policies and Procedures, **differentiate the modified cash basis of accounting from the modified accrual basis of accounting.** (4 Marks)
  - b) **Explain the Two main purposes of introduction and adoption of IPSAS.** (2 Marks)
  - c) **Differentiate the managerial accountability from political accountability.** (4 Marks)
  - d) **Identify and explain at least Five (5) key users of public sector general purpose financial information and their respective needs.** (10 Marks)
- (Total: 20 Marks)**

**End of question paper**