CERTIFIED ACCOUNTING TECHNICIAN
STAGE 3 EXAMINATIONS
S3.6: PUBLIC FINANCIAL MANAGEMENT
DATE: WEDNESDAY 26, FEBRUARY 2025
MARKING GUIDE AND MODEL ANSWERS

SECTION A

Marking guide

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

Section A-Marks allocation	Marks
2 marks for each collect answer	2
Total marks for this section	**20**

Model answers.

QUESTION ONE

The Correct Answer is C; because it creates the volume of extra paperwork is not the limitation of incremental budgeting rather is main limitations of the Zero-based budgeting. Zero-based budgeting (ZBB) is a method of budgeting that requires each cost element to be specifically justified, as though the activities to which the budget relates were being undertaken for the first time. Without approval, the budget allowance is zero.

The rest other options: A, B and D are not correct answers since they are the limitations of incremental budgeting. These include: (i) It does not identify inefficient operations. Inefficiencies will continue**;** (ii) It is not suitable for changing environments**;** and (iii) It does not help to eliminate wasteful expenditure.

QUESTION TWO

The Correct Answer is C; because loans from banks is not a source of revenue but rather a way of government funding.

The rest other options: A, B and D are not correct answers since they are among the key sources of government revenues to the public sector entities since state owned enterprises (SOE) are another source of revenue for the government in Rwanda, which are basically organizations created by the government to carry out commercial activities; government bodies may also choose to enforce fines if individuals or organizations do not comply with laws, regulations or pay required taxes and generate revenues; and government bodies may issue licenses which will be required by individuals or businesses to carry out certain activities.

QUESTION THREE

The correct answer is B, because usage means that paying directly for a service can also affect behavior. For example, if you have to pay each time you see a doctor it might mean that you visit the doctor less of course this in itself can have advantages and disadvantages.

The rest of the other options: A, C and D are not correct since equity means that where the payment is directly related to the benefit received. This is in contrast to taxation, where the amount paid is not related to any benefit received and hence equity means that nonusers or infrequent users of a public service do not substitute regular users; whereas value means that individuals will only pay a charge that fits (or does not exceed) the benefit of the service they are expecting to receive; and service quality means that if people are paying for a service, they usually demand a certain level of quality and this demand is often higher than if the service is being provided for free. This expectation of a certain service quality can also impact on the accountability of the service provider.

QUESTION FOUR

The correct answer is B, because excise duties is a tax applied to specific products and it is levied at the point of manufacturing rather than sale, excise duties may be charged on the manufacturer of imported commodities and the rates varies charged on imported goods.

The rest of the other options: A, C and D are not correct answers since customs duties is levied in the supply chain and it is tax that is charged on imported goods and the duties applied varies depending on country and nature of the item; where value added tax is a tax on the consumption of goods and services and it is indirectly paid by the final consumer of the good or service; and license fee is charged for carrying out certain activities.

QUESTION FIVE

The correct answer is D, because **ethical** requirements, such as professional certification is not among the factors that shortlisting considers rather the correct factors is legal requirements, such as professional certification.

The rest of the other options: A, B and C are not correct since they are the factors that shortlisting should consider in the establishment and signature of short list as the second stage of sourcing. These factors include: (i) Monetary value of the procurement activity; (ii) Share of potential markets and geographic distribution and (iii) Technical capacity and experience; (iv) Legislative requirements, such as professional certification; and (v) Appropriate financial capacity compared with the value of the contract.

QUESTION SIX

The correct answer is C; because direct the activities of any employee in the entity not employed by internal audit is not among the among specific duties and responsibilities of the Office of the Chief Internal Auditor (OCIA) Department in Rwanda.

The rest of the other options: A, B and D are not correct answers since they are specific duties and responsibilities of the Office of the Chief Internal Auditor (OCIA) Department in Rwanda. These duties are: (i) Supervise and co-ordinate the internal audit function across all government institutions; (ii) Formulate and disseminate internal audit standards, guidelines and audit methodology; (iii) Produce a consolidated annual internal audit report; (iv) Lead an annual planning process for the internal audit activities throughout Government and; (v) Conduct internal audits in central government institutions and local government institutions.

QUESTION SEVEN

The correct answer is B; because ensuring that cash flow plans submitted from budget agencies are **un**authentic and realistic is not the function role of Cash Plan Management Section rather their role is to ensure that cash flow plans submitted from budget agencies are **authentic** and realistic.

The rest of the other options: A, C and D are not correct answers since they are among the are the functions performed by the Cash Plan Management Section under Treasury Management Department of Government of Rwanda's Ministry of Finance and Planning (MINECOFIN which aims to ensure the Government's resources are efficiently managed.

QUESTION EIGHT

The correct answer is B; because a lump-sum price is used for tenders where the duration and provision are easy to define. Payments are based on the submission of reports and easy to administer. For example, a fixed fee of RWF1 for a catering contract covering prison meal provision for six months.

The rest of the other options: A, C and D are not correct answers since time-based prices are suitable where the duration and provision are hard to define; whereas unit prices is the price at which a single quantity of a product is sold; and combination is suitable where the duration is less than 9 months awarded on a fixed price basis.

QUESTION NINE

The correct answer is D; because Policy planners are involved in establishing the overall strategic objectives of the government or public sector entity. Policy planners, therefore, set out the main priorities over the next few years.

The rest of the other options: A, B and C are not correct answers since finance professionals are involved in estimating the costs of individual programs and developing the MTEF which provides the link from the policies to the annual budget, as well as the annual budget itself; whereas service managers are involved in delivering the public services, so providing the actual front line public service.

However, many of the service managers will be budget holders who are responsible for ensuring that expenditure in their specific area remains within the set budget; and Auditor General is leading the office of Auditor General of Rwanda (OAG0 and it is an independent body responsible for the audit of the state finances.

QUESTION 10

The correct answer is C, because it combines both correct key features of effective charging in the public sector which are: (i) Straight forward which means that the public sector organizations require a simple, straightforward method from establishing the prices through to implementing the collection system; and (ii) Objectives consistency which means that the public sector organization will need to set clear objectives for any charges being introduced, such as whether the charges aim to recover all costs or to maximize demand.

The rest of the other options: A, B and D are not correct since option A list one correct key features of effective charging in public sector; whereas option B, list incorrect key features which is expectation since expectations is disadvantages of charging for public services and means that that public services are and should be provided free and hence implies that members of the public tend to be unaware of the cost of providing such services, as well as a reluctance for charging to be introduced.

SECTION B

QUESTION 11
Marking guide

	Maximum marks
Sub-section (a): Three main types of public sector external audit: financial, compliance, and performance	
Award 1 mark for stating each type of external audit (financial, compliance and performance audit) and award another 1 mark for explaining correctly the stated type of external audit	6 Marks
Sub-section (b): Two aim/purpose of the International Auditing and Assurance Standards Board (IAASB)	
Award 1 mark for explaining each point of the main purpose/aim of IAASB	2 Marks
Sub-section (c): The overall objectives of the auditor in conducting an audit of financial statements	
Award 1 mark for explaining each point of 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**

Model Answers

(a) **There are three main types of public sector external audit: financial, compliance, and performance**.

- A financial external audit involves the external auditor examining organizations financial statements and providing a view on the fairness of the information presented. The external auditor will undertake detailed planning, analytical procedures (comparing figures in the financial statements with prior periods and expectations), audit sampling and testing (e.g. looking in detail at a small number of invoices), prior to reporting on their opinion of whether the financial statements are free from material misstatement
- A compliance audit is concerned with whether the audited body has complied with relevant regulations and standards. The external auditor will examine relevant policies and procedures, for example. The exact nature of the regulations and standards will vary by country and type of audited body
- Performance audits may also be referred to as value for money (VFM) audits and it is conducted with the view of assessing if a public entity is spending wisely. A performance audit is an audit that is undertaken to review an organization's activities to provide a conclusion about the economy, efficiency and effectiveness of that activity. Public sector organizations are under considerable pressure to prove that they operate economically, efficiently and

effectively, and are encouraged from many sources to draw up action plans to achieve value for money as part of the continuing process of good management.

(b) **The main two aim/purpose of the International Auditing and Assurance Standards Board (IAASB) are:**

- The IAASB aims to set high-quality standards for auditing.
- It also seeks to enable convergence between national and international standards so that globally, the quality of auditing is increased and auditing practice becomes more uniform around the world.

(c) **In conducting an audit of financial statements, the overall objectives of the auditor are:**

- To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.
- To report on the financial statements, and communicate as required by the ISAs, in accordance with the auditor's findings.

QUESTION 12

Marking guide

	Maximum marks
Sub-section (a)	
Award 1 mark for stating each area on which a government may spend and how these may be categorized	5 Marks
Award 1 mark for explaining each stated areas on which a government may spend and how these may be categorized *Consider awarding 1 mark for stating and 1 mark for explaining other areas on which a government may spend and how these may be categorized not included in the model answers since there is a large range of areas on which the Government of Rwanda spends.	5 Marks
Total	10 arks

Model Answers

(a) The below are the five areas on which a government may spend and how these may be categorized:

- Education: Building schools, salaries for teachers, meals for pupils, books, and equipment.
- Health: Building and maintaining hospitals, salaries for medical staff (such as nurses or doctors), buying medical equipment, medication.
- Transport: Building and maintaining public roads and railway networks, trains, salaries, public buses.

- Environmental protection: Pollution abatement; Protection of biodiversity and landscape; and Research and development in environmental protection.
- Social protection: Sickness and disability; Survivors; Family and children and Unemployment.

Expenditure could be classified in different ways, including by classification of the functions of government (COFOG); International Monetary Fund's Government Finance Statistics Manual and they may be other alternative ways of classification of expenditures based on budget classification. The classification provided above are just examples.

SECTION C

QUESTION 13
Marking guide

	Maximum marks
Sub-section (a)	
(i) Award 2 mark for the definition of PFM	2 Marks
(ii) Award 1 mark for stating and explaining how each element of PFM cycle is applied to any public sector organization of your choice for the first five element; and award 0.5 mark for the remain two elements of PFM Cycle to make a total of 7 elements. The elements of PFM Cycle are: National Priorities, National MTEF, Agency budget and MTEF, Finance law, Budget Execution, Accounting and Monitoring and Reporting and Audit	6 Marks
Subtotal	8 Marks
Sub-section (b)	
Award 1 mark for stating each of the four factors that governments should consider in determining the suitability of taxes	4 Marks
Award 2 mark for explaining each of the four factors that governments should consider in determining the suitability of taxes	8 Marks
Subtotal	12 Marks
Total	**20 Marks**

Model answers

(a) (i) 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.

(ii) There are seven key elements of Public Finance Management (PFM) cycle namely:
- National priorities
- National Medium-Term Economic Framework (MTEF)
- Agency budget and MTEF
- Finance law
- Budget execution
- Accounting and monitoring
- Reporting and auditing

The specific details will vary by the chosen public sector organization. However, the key elements of the generic PFM cycle should be discussed as follows:

- **National priorities: T**he public sector organization should have strategic objectives/plan in place aligned to national priorities. The PFM cycle starts with the planning process, setting out the key policy priorities and fiscal targets for the government or public sector as a whole.

In Rwanda, the planning function is coordinated by the National Development Planning & Research (NDPR) at MINECOFIN. The planning in both central and local government must be aligned to national priorities, as well as inform the budgeting process. The national priorities are reflected in the vision 2050 and in the National Strategy for Transformation-NST1 and NST2 since the NTST1 is closing. This will be narrowed down into medium term plan.

- **National Medium-Term Economic Framework (MTEF):** These should be MTEF in place which links the strategic objectives to the annual budgeted expenditure. Ensuring that planned expenditure is focused on the key priorities. The MTEF is the medium-term expenditure framework or medium-term budgetary framework which basically provides the link between long term strategic and the shorter term annual budgeted expenditure. The MTEF usually covers three or four years. In Rwanda, the National Budget Department of Minecofin is responsible for preparing the MTEF. After the elaboration of national priorities, these will be narrowed down into medium term expenditure to overcome the challenge of short-sighted budget we focus on 1 fiscal year.

- **Agency budget and MTEF**: This element will depend on the public sector organization chosen, but the central governments overall budget will need to be fed down to government department and agencies, as relevant and their expenditure allocations should be based on their strategic priorities. During this stage of the PFM cycle, the budget agencies (government institutions that receive funds in line with the Finance Law) will plan their expenditure allocations to their programmes and sub-programmes based on their strategic priorities. In Rwanda, the national MTEF is communicated to the budget agencies through the Budget Call Circular. Each budget agency will have a MTEF which comprises their programme and subprogramme allocations for the budget year under preparation and the following two years.

- **Finance law**: There should be legal arrangements for process to be followed and the budget formally approved, such as through parliament. The MINECOFIN in Rwanda prepares an annual Budget Framework Paper and Draft Finance Law which is submitted to Cabinet and Parliament for approval. The Draft Finance Law and supporting notes provide a summary of the planned revenue and expenditure for the year. Rwanda's Organic Budget Law (OBL), sets out the implementation of budgets for central government and other public sector entities. The OBL provides the legal basis of the role and responsibilities of a Chief Budget Manager.

- **Budget execution**: This covers the day-to-day processes for the budget year, with expenditure being authorized and surplus invested, for example. Ideally, the budget holders should be ensuring that authorized expenditure is consistent with the budget. Once the budget is approved, the public entities are given rights to apply the organizational resources. There should be predictability and control in the budget execution, with standard procedures and processes being followed. Budget execution runs from July to June in Rwanda, covering the full financial year. During this period there will be expenditure, procurement, and treasury management.

- **Accounting and monitoring**: This covers procurement, revenue collection and recording transactions on the financial accounting systems. There should also be monthly budget monitoring reports produced to compare actual and budgeted expenditure, with significant variances investigated. While executing the budget, public entities should exercise due diligence to ensure that public funds are neither misused nor misappropriated. Accounting and monitoring are important elements of the PFM cycle. The accounting element refers to revenue collection, procurement of goods or services, data entry for income and expenditure, as well as reconciliations.

  The monitoring aspect relates to comparing the actual income and expenditure for a period (from the accounting component) against what was planned in the budget. This monitoring process should be undertaken at least monthly and should consider factors that may impact on any variances identified, such as whether the item was under the control of the budget holder.

- **Reporting and audit**: This includes the preparation and submission of the annual financial statements and also ensure they are audited by the external auditor with an opinion given on whether the financial statements give a true and fair view or are free from material misstatement. The final stage of the PFM cycle involves reporting and audit elements. Reporting relates to the production of the financial statements, which should include the statement of revenue and expenditure, statement of financial position, notes to the financial statements and a budget execution report.

  Once the financial statements are produced, they must be reviewed by the external auditor, with an opinion given on whether the financial statements give a true and fair view or are free from material misstatement. This external audit of the financial statements is a statutory requirement. In Rwanda, the external audit of public sector entities is undertaken by the Office of the Auditor General of State Finances (OAG). Once the auditor general has provided the report to the parliament, the public accounts committee will scrutinize it and may call upon respective institutions for public hearing on the use of public funds.

(b) **The Four other factors that governments should consider in determining the suitability of taxes are:**

- **Equity:** The perceived fairness of the tax is important so how equitable do members of the public or people paying the tax believe it to be. If people see the tax as being unfair, they are less likely to pay it.

There are two key dimensions of tax equity that governments should consider which are:
Horizontal equity where people with a similar ability to pay have to pay a similar amount and;
Vertical equity where people with a greater ability to pay have to pay more.
Governments should also consider the breadth of taxes, so that a large proportion of tax income is not relying on a small sub-section of the population. Bandy (2015) highlights two other equity concepts:

Benefit equity in terms of the amount of tax paid being related to the amount of benefit they receive; and **Intergenerational equity** where the government borrows money to provide services for the current generation, with future generations of taxpayers ending up paying for it.

- **Ease of administration:** refer to the cost of collecting the tax in comparison to the revenue received from the tax. There is little point having a tax that costs most to implement than the income tax received. Additionally, it is useful for both the government and public to have taxes which are simple. For example, tax-payers are often more likely to pay the tax if it is simple to understand and tax chargeable is less likely to include errors. However, governments must see the simplicity and ease of administration in comparison to the other important features of an effective tax system, such as equity.

- **Efficiency:** It might seem obvious that a taxation system should be efficient, but what exactly does this mean? Well, efficiency can cover a variety of issues. These includes administration efficiency, change of people's behavior due tax, government intervention, and issue of identification and collection of taxes. For example, taxes payable on an individual's wealth are problematic as wealth can be hidden, resulting in reduced levels of tax being payable.

- **Predictability in a tax system:** It relates to the certainty with which the government or individuals can effectively budget the tax to be paid or received. For governments, taxation comprises a significant proportion of their income and any budgets will be based on the predicted levels of tax to be collected. It is, therefore, essential that the government can reliably predict the amount of tax revenue. For individuals, too, it is useful to know how much tax they are likely to have to pay as it may impact on decision-making.

QUESTION 14
Marking guide

	Maximum marks
Sub-section (a)	
Award 1 mark for the definition of cash and 1 mark for the definition of cash equivalents in the context of the PFM	2 Marks
Sub-section (b)	
Award 0.5 mark for stating examples and 0.5 marks for explaining the ways in which the public sector organisation uses the cash	4 Marks
Award 0.5 mark for stating examples and 0.5 marks for explaining how the use of the cash for each stated example could be reduced	4 Marks
Sub-section (c)	
Award 1 mark for stating and explaining the appropriate controls that the budget agency/ public sector organisations can put in place to manage cash and reduce the associated risks	4 Marks
Sub-section (d)	
Award 1 mark for stating each procedure that should be followed by the public sector entity in carrying out bank reconciliations *Consider also awarding 1 mark for each procedure stated for the preparation of bank reconciliation which may be aligned to the public sector ornagnisations but which are in normal procedures of preparation of bank reconciliation states in accounting.	6 Marks
Total	**20 Marks**

<u>Model answers</u>

(a) Cash is defined as the cash on hand, cash at bank and demand deposits; whereas;
Cash equivalents are defined as short term, highly liquid investments (with maturities of less than three months from the date of purchase) that are readily convertible to known amounts of cash and which are not subject to a significant risk of change in value.

(b) The following are ways in which public sector organizations use cash in their daily process:
- (i) Payment of employees: The public sector organisations use cash in the payment of salaries to the staff and these know as compensation to employee or government staff remunerations.
- (ii) Payment of suppliers: The public sector organisations use cash in the payment of the supplier's invoices for the services delivered/goods supplied to the public sector entity.
- (iii) Receipt of taxes: Some public sector entities like Rwanda Revenue Authorities (RRA) or local administrative entities like districts collect and receive taxes which are deposited to the RRA bank accounts. The services users may use cash in payment and then later the entity transfers this amount to the RRA accounts.
- (iv) Hold all money as cash: The public sector organisations may hold money as cash and put a policy for using cash to pay small operating expenditures in form of petty cash.

The ways that the public sector organization's use of cash could be reduced could include:

(i) Pay employees electronically, such as by bank transfer: The public sector organisations can process the payment of salaries to the staff electronically.
(ii) Pay suppliers electronically, such as by bank transfer: The public sector organisations can process the payment of the supplier's invoices for the services delivered/goods supplied to the public sector entity
(iii) Taxes to be received electronically: The public sector organisations may collect and receive taxes electronically and immediately be deposited to the RRA bank account.
(iv) All cash should be banked at the end of every day, and surplus amounts invested; and put controls in place for recording and securely storing money.

(c) **The following are appropriate controls that a budget agency/ a public sector entity can put in place to manage cash and reduce the associated risks:**

(i) Physical controls: Physical controls should be in place for the physical security of cash, such as locking cash receipts in a safe until they are banked. Cash belonging to prisoners or patients, for example, should be held in a safe. However, the cash should also be counted by two employees and the owner (eg prisoner or patient), with written records maintained and signed by both parties. Many public sector organisations may hold small amounts of cash, known as petty cash, to be used if and as needed. Again, such cash should be securely stored and receipts recorded for any petty cash used.
(ii) Authorization controls: There should also be authorization or approval of transactions by supervisors and manager.
(iii) Arithmetic or accounting controls: Another type of control that should be in place is reconciliations, such as from the cash book to bank account, to ensure all records agree. This is a type of arithmetic or accounting records control.
(iv) Segregation of duties: Segregation of duties is a crucial control to ensure that no-one person sees through an entire transaction, but rather several people are involved in the process. For example, receiving cash from customers, recording it and banking it should not all be done by a single person as they would be able to make an error or commit fraud.

(d) **The following procedure should be followed by the public sector entity in carrying out bank reconciliations:**
(i) Obtain the official bank statement from all banks where the public entity has opened bank accounts.
(ii) Access the cashbook for each of the bank account in the accounting system maintained by the public entity.
(iii) If all entries were correctly posted, the balance as per the reconciliation statement will match the balances on the bank statement. No "unidentified difference" or other balancing items must be shown on the bank reconciliation.

(iv) If the balances do not match repeat the process to detect the error. Differences must be corrected immediately and not left as unresolved difference unless clear timelines for resolving the differences have been agreed with the bank.

(v) Present for signature and approval by the Head of Finance and Chief Budget Manager (CBM) or his/her representative once satisfied that the reconciliation process has been completed.

(vi) File and safeguard, alongside the accompanying financial statement, the approved reconciliation in a special file labelled "Bank Reconciliation for the Month of xxx" as at end of period.

QUESTION 15

Marking guide

	Maximum marks
Sub-section (a)	
Award 2 mark for the explanation of modified cash basis and 2 marks for the explanation of modified accrual basis of accounting in the context of the PFM	4 Marks
Sub-section (b)	
Award 1 mark for stating each point on aim of the IPSASB.	2 Marks
Sub-section (c)	
Award 2 mark for explaining correctly managerial accountability and political accountability and how they are different from each other	4 Marks
Sub-section (d)	
Explanation of the 5 users of public sector information (Award 2 marks for each correct explanation up to a maximum of five users) * Consider awarding also the 2 marks for each correct users of the financial information provided by public sector entities not included in model answers since they are many users of financial information.	10 Marks
Total	**20 Marks**

<u>Model answers</u>

(a) **Modified cash Basis:** A method of accounting in which transactions are generally recorded when cash is received or paid out while outstanding invoices, outstanding receipts on sales of goods and services and bank balances are recorded at the end of reporting period; whereas; **Modified accrual Basis**: In the context of this PFM manual, modified accrual basis of accounting means that financial transactions and events are largely recognized in the books of account when they happen regardless of the timing of the associated cash flows.

(b) **The main purpose of IPSASB which develops and publishes the IPSAS are:**

- To develop high quality accounting standards to support public sector entities to prepare general purpose financial reporting
- To improve the quality and transparency of financial reporting in the public sector

- The IPSASB aims also to move public sector organisations from the cash to the accruals basis of accounting and even the Cash Basis hence IPSAS is intended to be a stepping stone towards achieving accruals reporting. (This is addition to the required 2 aims of IPSASB in the question).

(c) **Managerial accountability:** Refers to managers being held accountable for the responsibilities that have been delegated to them. The term responsibility in the definition of managerial accountability means having control over something or someone; whereas,
Political accountability: Relates to governments (or similar) who are accountable to the electorate for the authority that has been granted to them. The term authority in the definition of political accountability means having the power or right to make decisions and give orders or directions.

The concept of accountability is essentially and very important in public sector entities since it refers to the expectation to justify actions and decisions. For example, public sector entities receive money from tax payers who may expect the public sector entity to demonstrate how they have made use of that public money.

(d) **The key users of the financial statements for a public sector include:**

- The legislature (Parliament):
- Providers of resource
- Recipient of services or service users
- Management of public sector organization
- Employees
- Taxpayers

The above key users of the general-purpose financial reports and their information needs on the information provided in the financial statements for a public sector are explained below for details:

- **The legislature (Parliament):** This is an organ of the government, which holds executives to account for the resources entrusted to them. They need government financial information to serve as the basis to evaluate the extent to which this executive has undertaken their required activities within the power and authority granted to them as well as the resources.
- **Providers of resources such as investors, lenders and creditors:** These are interested in the public sector financial information related to public debts level, income and liquidity levels so that they can be assured for their loan back, investors know if they will get the returns on investments and creditors if their commitment will be honored and paid by the public sector entities.
- **Recipient of services or service users including citizens:** They need to assess whether the public sector entity is achieving its objectives and will continue to provides related services in the future on a going concern.

- **Management of public sector organization:** They need the financial information of their organization so as to assess how best they can finance projects and programs. They also need information on budget estimate and expenditure so as to enhance effective control of program and cost for reconciliation of actual results with expected.
- **Employees:** They need to gain assurance that the public sector has the ability to continue paying their salaries in the foreseeable future.
- **Taxpayers:** They need to understand whether the government is operating efficiently by being wise in spending and assess if it is making any surplus or deficit
- **Others users** including special interest group, auditors, regulators, governments, media and voters: They need financial information for them to make informed decisions.

END OF MARKING GUIDE AND ANSWER MODEL